

*We have work to do to give all of our children the gift of an education—
to make sure every 8-year-old can read; every 12-year-old can log on to the Internet;
and yes, every single 18-year-old in this country willing to work for it
can have a college education.*

*William J. Clinton
November 5, 1996*

I. SUMMARY OF THE 1998 BUDGET

The 1998 budget for the Department of Education reflects President Clinton's determination to continue making the investments needed to improve our schools based on standards of excellence, to help States and school districts cope with the highest elementary and secondary enrollments in history, to modernize our schools for the 21st century, and to make a college education more affordable for all students. These investments include increased funds for discretionary education programs, major new reading and school construction initiatives, and a package of legislative and tax changes that will dramatically increase aid to help pay college costs.

The President is requesting \$29.1 billion in discretionary funds for the Department of Education, an increase of \$2.9 billion or 11 percent over the 1997 level.

Key priorities within this discretionary request include the following:

- \$620 million for Goals 2000, up \$129 million or 26 percent, to expand support for State and local efforts in all 50 States to set and implement standards of excellence and reform teaching and learning in order to reach the National Education Goals.
- \$500 million for Educational Technology, up \$243 million, to help schools integrate technology into the curriculum so that all students can become technologically literate, and to improve the quality of instruction in the core subjects.
- Doubling funding for Charter Schools to \$100 million to expand public school choice for parents by supporting the creation of publicly accountable schools which are exempted from many education rules and regulations and thus permit the use of more flexible and innovative methods of achieving educational excellence.
- \$7.6 billion for Pell Grants, up \$1.7 billion or 29 percent, to fund an increase in the Pell maximum award, from \$2,700 to \$3,000, and to expand eligibility for independent students.

In addition to the discretionary budget, President Clinton is proposing a significant investment of new mandatory program funding in two key areas. The first is the America Reads Challenge, which would enlist and train one million tutors in a Reading Corps to help children learn to read well and independently by the end of the third grade. The Reading Corps would work with teachers, families, and community organizations by providing reading assistance after school, on weekends, and during the summer. The target is to

have many more children, not just the current 60 percent, read at least at the “Basic Level” by the time they reach the 4th grade, as determined by the National Assessment of Educational Progress. The Department of Education budget includes \$200 million—the first installment of a planned \$1.4 billion over the next five years—to pay reading specialists to supervise and train the Reading Corps and to provide the materials tutors will need to be successful.

The second mandatory initiative is School Construction, which would use a one-time appropriation of \$5 billion to stimulate State and local efforts to upgrade and modernize school facilities, particularly in urban areas, which often have the greatest need for renovation and construction of school buildings. The program would pay for up to half the interest on school construction bonds or similar financing mechanisms, with a target of stimulating at least \$20 billion in new construction or renovation projects. Eligible projects would include emergency repairs to correct health and safety problems, making schools more energy efficient, modernizing educational facilities to support new technologies, ensuring access for disabled individuals, and building the additional schools that communities will need in order to serve the growing enrollments predicted for the next decade.

Two other significant new initiatives, while not part of the Department’s budget, are the America’s Hope Scholarship tax credit and the Middle Class Bill of Rights tax deduction. America’s Hope Scholarships would provide a \$1,500 tax credit for up to two years of postsecondary education, and the tax deduction would permit up to a \$5,000 deduction (\$10,000 in 1999 and later years) from income for payment of postsecondary tuition and fees. The deduction would be available even to taxpayers who do not itemize deductions. Together these proposals would save eligible students and their families more than \$4 billion in college costs in 1998.

Also on the mandatory side, the Department is proposing changes to improve both the effectiveness and efficiency of the student loan programs. Loan origination fees for needy students would be cut in half from 4 percent to 2 percent, the costs of subsidizing lenders and guaranty agencies would be reduced, and administrative funds for Direct Loans would be scaled back. These proposals would save student borrowers more than \$2 billion over the next five years, while taxpayers would save about \$3.5 billion over the same period thanks to a restructuring of the guaranty agency system that would make agencies more accountable to the public by linking agency fees to their performance in collecting on defaulted loans.

Factors affecting the cost of student loans include interest rates, default rates, and collections on defaults. For fiscal year 1994, the most recent year for which data are available, the statutory rate for students defaulting in their first 2 years of repayment was 10.7 percent, down from a high of 22.4 percent in fiscal year 1990.

In addition, the Department is continuing its long-term efforts to streamline its operations by proposing the elimination of 10 programs—totaling more than \$400 million—that have achieved their purpose, duplicate other programs, or are better supported from State, local, or private sources. Department staff also would continue to decline, in fulfillment of the President’s commitment to reduce the Federal workforce. Department staffing in 1998 will

be at least 6 percent below the 1992 level, and 40 percent below the level when the Department was created in 1980.

Totals in the Budget

The President's budget for the Department of Education provides a total of \$29.1 billion in discretionary budget authority, an increase of \$2.9 billion, or 11 percent, over the 1997 level of \$26.2 billion. Funding for mandatory programs would increase substantially from an estimated \$3.2 billion in 1997 to an estimated \$10.4 billion in 1998. Most of this increase, however, reflects the proposed one-time expenditure of \$5.0 billion for the School Construction program. Changes in mandatory costs also reflect a technical re-estimate of costs associated with existing loans, as required by the Credit Reform Act of 1990. Based on a recent study by independent auditors, this re-estimate for 1997 reflects a reduction of roughly \$2 billion in lifetime default costs for the Federal Family Education Loan program. Total Department budget authority would rise from \$29.4 billion in 1997 to \$39.5 billion in 1998. In addition, the President's two tax initiatives—America's Hope Scholarships and the Middle Class Bill of Rights tax deduction—would save students and families \$4.0 billion in postsecondary education expenses in 1998.

Totals for the Department are:

	(Budget Authority in Millions ¹)		
	1996 <u>Actual</u>	1997 <u>Appropriation</u>	1998 <u>Request</u>
Discretionary	\$22,694 ²	\$26,211	\$29,090
Mandatory	<u>7,787</u>	<u>3,155</u> ³	<u>10,380</u>
Total	30,481	29,366	39,470

¹ Totals do not add due to rounding.

² Includes \$1,298 million in ESEA Title I advance funding.

³ Mandatory funding declined dramatically in 1997 due to a re-estimate of student loan costs based on lower default rates.

Within these totals, the budget puts significant new resources in 4 key areas: educational improvement based on standards of excellence, improving reading for all Americans, providing extra help for students most in need and meeting the challenge of higher enrollments, and making college more affordable.

BETTER EDUCATION FOR ALL STUDENTS BASED ON STANDARDS OF EXCELLENCE

During President Clinton's first term in office, he succeeded in building bipartisan support for effective assistance to State and local education improvement efforts focused on standards of excellence for teaching and learning, getting useful technology into the classroom, upgrading the skills of teachers, connecting high schools to the workplace and college, and giving parents greater choice in public education through the creation of publicly accountable charter schools. As States and communities develop and begin to implement their own reform plans, they look to Goals 2000 for flexible support of reforms based on high academic standards, to School-to-Work Opportunities for venture capital to establish systems easing the transition of high school students from school to work and higher education, to the Technology Literacy Challenge Fund for help in integrating technology into the curriculum, to Charter Schools for start-up funds needed to create innovative schools that respond to local needs and expand public school choice, and to the Eisenhower Professional Development programs to strengthen teaching skills.

The Department's 1998 budget would help States and communities stay on course in their efforts to educate children to higher standards and would stimulate additional schools to undertake comprehensive and effective reform. Highlights of the request include:

- \$605 million for Goals 2000 State Grants, an increase of \$129 million, to help States and schools develop and implement challenging academic standards and reform teaching and learning in order to reach the National Education Goals. An additional \$15 million would support 42 parental assistance and information centers.
- \$400 million for School-to-Work Opportunities—\$200 million each from the Departments of Education and Labor—to permit all 50 States to fully implement school-to-work strategies as an integral part of their educational systems.
- \$500 million for Educational Technology, up \$243 million, to help schools integrate technology into the curriculum so that all students can become technologically literate, and to improve the quality of instruction in core subjects.
- \$100 million for Charter Schools, a \$49 million increase, to support planning and start-up costs for between 900 and 1,100 new or redesigned public schools that offer enhanced public school choice. These State- or locally authorized schools are created by teachers, parents, and other members of the community and, in exchange for greater accountability for student achievement, are exempted from many local, State, and Federal education regulations. The Administration's goal is to stimulate the creation of 3,000 charter schools by 2002.
- \$360 million for Eisenhower Professional Development State Grants, up \$50 million, to support sustained, intensive training to upgrade the skills of teachers and principals to better deliver instruction in the core academic subjects, especially in mathematics and science.

- \$21 million, up \$16 million, to fast-forward efforts by the National Board for Professional Teaching Standards to develop standards and assessments and implement certification programs in more than 30 teaching fields. Funds also would enable more teachers to undergo the assessment process—an important step in identifying and rewarding master teachers. The goal would be to certify 105,000 master teachers by the year 2006.

The Department also is seeking \$167 million for Research, Statistics, and Assessment, an increase of \$30 million or 22 percent over the 1997 level for these programs. These funds support education reform by investigating what works in teaching and learning, gathering data on the effects of reform and the return on investments in education, monitoring progress toward the National Education Goals, and assessing the progress of American students in achieving mastery over challenging subject matter.

IMPROVING READING FOR ALL AMERICANS

The America Reads Challenge highlights reading as the most basic and essential academic skill—the cornerstone of educational achievement and accomplishment. The Department's budget includes mandatory funds for two components of this initiative: America's Reading Corps and Parents as First Teachers.

The request provides \$200 million in mandatory funding for America's Reading Corps, which would enlist and train one million tutors who will provide individualized and small group assistance after school, on weekends, and during the summer for K-4 students who are behind in reading. The Department plans to contribute \$1.4 billion for the Reading Corps over the next five years; most of these funds would pay for reading specialists (who would train or supervise the tutors) and materials. In addition, the Corporation for National and Community Service would contribute \$1 billion (\$200 million in 1998), primarily for tutor recruitment.

The Department would use an additional \$60 million in mandatory funds in 1998 for the Parents as First Teachers program. This program would support effective, proven efforts to assist parents in helping their children become successful readers.

Success in reaching the goal of the America Reads Challenge—ensuring that all children read well and independently by the end of the third grade—will require much more than after-school tutoring. That's one reason why, for example, the 1998 request includes significant increases to strengthen in-school reading instruction through programs like Title I Grants to Local Educational Agencies and Special Education Grants to States. Both programs provide substantial resources to States and schools that are used to improve basic skills like reading.

Parental involvement in reading to children is also a key to reaching the America Reads Challenge. And students who speak a language other than English need extra help learning to read English. The budget includes increases for the following programs that provide assistance in these areas:

- \$108 million for Even Start, a \$6 million increase to permit expansion of local programs that help young children develop the skills required for success in elementary school while enabling their parents to gain the basic literacy skills needed to reinforce their children's education.
- \$199 million for Bilingual Education, an increase of \$42.3 million or 27 percent, to help local school districts build their capacity to operate high-quality instructional programs for limited English proficient (LEP) students.
- \$382 million for Adult Education State Grants, up \$41.7 million or 12 percent, to help adult Americans improve their literacy skills so they can succeed in their roles as workers, citizens, and parents.

PROVIDING EXTRA HELP FOR STUDENTS MOST IN NEED AND MEETING THE CHALLENGE OF HIGHER ENROLLMENTS

Elementary and secondary school enrollment reached a new high of nearly 52 million last fall, and 3 million more students will be added to the rolls over the next 10 years. To help States and school districts keep up with growing enrollments while continuing to provide extra help for the students who need it, the Department is requesting increased funding in critical areas of Federal education support. Highlights include the following:

- \$7.5 billion for the Title I Grants to Local Educational Agencies program, an increase of \$347 million, to help low-achieving students—particularly those in high-poverty schools—meet the same challenging academic content and performance standards expected of all children. The request also would target a larger share of Title I resources on communities and schools with the highest concentrations of children from low-income families.
- \$620 million for Safe and Drug-Free Schools programs, an increase of \$64 million, to help States and school districts address the pervasive problems of student drug and alcohol use and school violence.
- \$3.2 billion for Special Education Grants to States, an increase of \$141 million, to help States cover increases in costs attributable to serving additional children, while maintaining the overall Federal share of the excess costs of serving children with disabilities at 8 percent.
- \$150 million for Immigrant Education, up \$50 million, in recognition of the additional costs faced by school districts that serve large numbers of recently arrived immigrant students. The request would help pay the costs of educating some 875,000 recent immigrant students.
- The School Construction initiative, which would use a one-time \$5 billion mandatory appropriation to pay for up to half the interest on school construction bonds or similar assistance. This program is designed in part to help States and communities address the facilities needs created by growing enrollments.

In addition, the Department is proposing a new program of After-School Learning Centers to help rural and inner-city public schools stay open after school hours and serve as safe, neighborhood learning centers where students can do their homework and obtain tutoring and mentoring services. The 1998 request includes \$50 million to support the development of hundreds of new after-school programs focusing on activities designed to improve student achievement and prevent juvenile violence and substance abuse.

MAKING COLLEGE MORE AFFORDABLE FOR ALL STUDENTS

Since 1993, President Clinton has worked hard to strengthen Federal programs that help students and families pay the costs of postsecondary education. His first successful education reform proposal created the Direct Student Loan program, which eased loan repayment burdens through income-contingent repayment, greatly streamlined and simplified loan delivery for students and schools, saved taxpayers billions of dollars, and spurred changes that have saved students and parents billions of dollars in reduced loan fees and interest payments.

The President also helped raise the maximum Pell Grant award by \$400 or 17 percent—from \$2,300 in 1993 to \$2,700 in 1997—while total Federal student financial aid available has grown more than 70 percent—from \$25 billion in 1993 to \$43 billion in 1997—and the number of students receiving Federal student aid climbed 1.3 million or 20 percent.

For 1998, the President is proposing a combination of budget and tax initiatives that would significantly expand access to postsecondary education for lower-income students while providing new assistance to middle-class families struggling to pay for college. The request would raise the total aid available for postsecondary education and training from \$42.8 billion in 1997 to \$47.2 billion in 1998, an increase of \$4.4 billion or 10 percent (not including the tax initiatives). The number of students receiving assistance would rise to 8.1 million, an increase of almost 450,000 students. The 1998 budget also would promote hard work in high school and college by rewarding high achievement. Highlights of the request include the following:

- \$7.6 billion for Pell Grants, up \$1.7 billion or 29 percent, to raise the maximum award to \$3,000 and provide grants to an additional 348,000 students, in part through a proposed change to need analysis rules. The \$300 increase in the Pell maximum award—the largest increase in two decades—would improve access to postsecondary education for students from low-income families, and studies show that grant aid increases college completion rates for such students.
- Need analysis for independent students without dependents would be changed so that more of these students would be eligible for student aid. The proposed expansion of the asset protection allowance for independent students—who are generally defined as at least 24 years old, married, or military veterans—would treat these students similarly to all other students, correcting an inequity created by the Higher Education Amendments of 1992.

- \$857 million for Work Study, an increase of \$27 million, would add 28,000 new recipients as part of the President's commitment to increase the number of recipients to one million by the year 2000. The President also is encouraging schools to use Work-Study funds for students to serve as tutors in the America Reads Challenge, in part through a waiver of the institutional matching requirement.
- The request would save student borrowers more than \$2 billion over the next five years by cutting loan fees in the Direct Loan and Federal Family Education Loan programs.
- An additional \$3.5 billion in taxpayer savings over five years would be achieved through a restructuring and streamlining of the guaranty agency system.
- \$525 million for the TRIO programs, up \$25 million, would provide important outreach and support services to an additional 36,662 students.
- \$132 million for Presidential Honors Scholarships would reward the academic excellence of the top 5 percent of graduating students in every high school in the Nation by providing a one-year, \$1,000 scholarship to help cover college costs.
- \$39.3 million for Byrd Honors Scholarships, up \$10.2 million to provide four cohorts of recipients with the full \$1,500 scholarship authorized by law.
- \$6 million for the Advanced Placement Fee program would for the first time supplement State efforts to subsidize and, in some cases, pay the full cost of advanced placement tests for low-income students, who may not be able to afford the test fee. This program would help raise academic expectations by encouraging low-income students to take such tests for college credit, while also stimulating more high schools to offer advanced placement courses.

Tax Proposals:

- The America's Hope Scholarship proposal would help make two years of postsecondary education universally available to all Americans by providing a tax credit of up to \$1,500 to first-year postsecondary students and to second-year students who earn at least a B average.
- A proposed Middle Class Bill of Rights tax deduction would allow up to a \$5,000 deduction (\$10,000 in 1999 and later years) from income for payment of postsecondary tuition and fees. The deduction would be available even to taxpayers who do not itemize deductions.
- The proposed expanded use of Individual Retirement Accounts would provide a strong incentive to individuals and families to save for college by allowing penalty-free withdrawals after 5 years if used to pay postsecondary education expenses.
- The proposed extension of the exclusion for employer-provided educational assistance, currently scheduled to expire in mid-1997, through December 31, 2000.

The Section 127 provision allows taxpayers to deduct up to \$5,250 in employer-provided postsecondary tuition expenses from their incomes each year. The proposal would also reinstate and extend through December 31, 2000 the expired exclusion for employer-provided graduate education.

II. THE 1998 EDUCATION BUDGET BY PROGRAM AREA

A. ELEMENTARY AND SECONDARY EDUCATION

Overview

The 1998 budget request for elementary and secondary education provides significant increases for key programs to move American education forward, accompanied by \$5.3 billion in mandatory funding for the America Reads Challenge and School Construction initiatives announced by President Clinton in 1996. The total request for discretionary elementary and secondary education programs is \$11.1 billion, an increase of \$536 million or 5.1 percent over the 1997 level. Highlights of the discretionary request include:

- \$605 million for Goals 2000 State Grants, an increase of \$129 million, to support State and local efforts in all 50 States to establish challenging academic standards and assessments and to reform teaching and learning in order to reach the National Education Goals.
- \$7.5 billion for Title I Grants to Local Educational Agencies, an increase of \$347 million, to help low-achieving students—particularly those in high-poverty schools—meet the same challenging academic content and performance standards expected of all children. The request would target a larger share of Title I resources on communities and schools with the highest concentrations of children from low-income families.
- \$425 million for the Technology Literacy Challenge Fund, an increase of \$225 million, to help schools in all 50 States integrate technology into the curriculum so that all students can become technologically literate, and to improve the quality of teaching and learning in core subjects.
- \$360 million for Eisenhower Professional Development State Grants, an increase of \$50 million, to support sustained, intensive training to upgrade teaching skills in the core academic subjects, especially in mathematics and science.
- \$620 million for Safe and Drug-Free Schools programs, an increase of \$64 million, to help States and school districts address the pervasive problems of student drug and alcohol use and school violence.
- \$100 million for Charter Schools, a \$49 million increase, to support the start-up of as many as 1,100 new or redesigned State-authorized schools created by teachers, parents, and other members of the community that offer enhanced public school choice and which, in exchange for greater accountability for student achievement, are exempted from many local, State, and Federal regulations.
- \$34 million for Comprehensive Regional Assistance Centers, a \$9 million increase, to strengthen and expand the services of a network of 15 centers that provide training and assistance to teachers and school leaders on educational issues primarily involving effective teaching and learning for low-income, limited English proficient,

migrant, and Native American students, and on issues in such areas as creating safe and drug-free schools.

The request also includes increases for other elementary and secondary school programs that address the needs of particular at-risk populations, including migrant programs, the Title I program for the education of neglected and delinquent children and youth, Education for Homeless Children and Youth, and Indian Education.

Mandatory Funding Proposed for Presidential Initiatives

The President's 1998 budget for education also includes \$5.3 billion in proposed mandatory spending authority—funded through authorizing legislation instead of the discretionary appropriations process—for two new programs: the America Reads Challenge and School Construction.

America Reads Challenge

(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
America's Reading Corps	—	—	\$200.0
Parents as First Teachers	<u>—</u>	<u>—</u>	<u>60.0</u>
Total	—	—	260.0

The America Reads Challenge includes two components. The America's Reading Corps would bring together educators, families, and community-based organizations in a national effort to help many more children learn to read well and independently by the end of the third grade. The initiative would enlist one million trained tutors, who will provide individualized and small group reading instruction after-school, on weekends, and during the summer for students who need extra help to read well.

The goal is to substantially increase the proportion of children reading at the "Basic Level" on the National Assessment of Educational Progress (NAEP) by the time they reach the 4th grade. Currently, just 60 percent of students participating in the fourth-grade NAEP reading assessment read at the "Basic Level."

The Department of Education would contribute \$1.4 billion for the Reading Corps over a five-year period; most of that money would pay for reading specialists (who would train tutors) and instructional materials. In addition, the Corporation for National and Community Service would contribute \$1 billion over 5 years (\$200 million in 1998), primarily for tutor recruitment.

As part of the America Reads Challenge, the President has also called upon Work-Study recipients to earn their awards by working as reading tutors for kindergarten and elementary school students. The Department recently amended its regulations to waive the required 25 percent employer funding match for students working as reading tutors.

Under the Parents as First Teachers program, the Department would provide funds to national and regional groups, as well as local communities and organizations, to support effective, proven efforts to help parents who request assistance to help their children become successful readers.

The success of America Reads will be tracked through the NAEP fourth-grade reading assessments. Funds for this testing are requested under Assessment in Educational Research and Improvement.

School Construction

New legislation would provide a one-time appropriation of \$5 billion to jump-start State and local efforts to modernize school buildings so that more students have access to the school facilities needed for a first-class education. These funds would pay for up to half the interest on school construction bonds or similar assistance, with a target of stimulating at least \$20 billion in new construction or renovation projects. The program would be particularly targeted on major cities, which have the most urgent construction needs. The Federal subsidy could be used for such purposes as emergency repairs to correct health and safety problems, making schools more energy efficient, modernizing educational facilities to support new technologies, ensuring access for disabled individuals, and building the additional schools that communities will need in order to serve the growing enrollments predicted for the next decade.

Goals 2000: Educate America (BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998</u> <u>Request</u>
State and Local Education			
Systemic Improvement	\$340.0	\$476.0	\$605.0
Parental Assistance	<u>10.0</u>	<u>15.0</u>	<u>15.0</u>
Total	350.0	491.0	620.0

Goals 2000 helps schools, communities, and States develop and implement their own strategies—based on standards of excellence—for improving elementary and secondary education. These strategies center on the creation and implementation of high standards and challenging assessments in core academic subjects that define what all students should know and be able to do at various grade levels.

Research and experience suggest that challenging content standards, when coupled with valid and reliable assessments and aligned support, can focus the efforts of school systems, students, parents, and the wider community on improving student performance. Standards can drive content-rich instruction that is indispensable for all children, guide staff preparation to enable teachers to teach challenging curricula, and hold school systems accountable for improvement. That is why Goals 2000 helps States establish academic standards and coordinate their student assessment programs, teacher preparation and licensure requirements, parental and community involvement, and other aspects of their

education system to help children achieve State and local standards. In particular, the new assessments create a valuable feedback mechanism that helps schools measure student progress and provides the public with reliable information about how well schools and school districts are doing in teaching all children to high standards.

Goals 2000 has been welcomed as an important source of support for State and local school improvement efforts, and States have found it to be a "user-friendly" program, both because of the regulation-free administration of the initiative and because of the flexibility to build upon pre-existing reform efforts. According to surveys, requests from local school districts for Goals 2000 support in several States exceed available dollars by 200 to 600 percent.

With 1996 funds, Goals 2000 is helping more than 12,000 schools across the Nation mobilize to improve the future of their children by designing common-sense approaches to improve teaching and learning. Fiscal year 1997 funds have not yet been awarded, but through fiscal year 1996 school districts in 49 States were participating and had entered or completed their second year of participation; 27 States have received third-year funding. Virginia recently indicated that it would be the 50th State to participate in Goals 2000.

To sustain this growing nationwide reform effort, the 1998 budget includes \$605 million for State grants, a \$129 million increase over the 1997 level. The request would support grants to 16,000 schools, or nearly 20 percent of all schools, to implement educational improvements based on standards of excellence. The Department will reserve up to \$1.5 million for evaluation studies directly related to measuring the progress of education reform.

In addition, the request includes level funding of \$15 million for the separately authorized Goals 2000 Parental Assistance program, to continue funding for centers in 42 States that provide parents with training, information, and support they need to help their children achieve to high standards. This program directly addresses the National Education Goal that "every school will promote partnerships to increase parental involvement and participation in promoting the social, emotional, and academic growth of children."

Technology Literacy Challenge Fund

	<u>1996</u>	<u>1997</u>	<u>1998</u> <u>Request</u>
BA in millions	—	\$200.0	\$425.0

The Technology Literacy Challenge Fund provides grants to the 50 States under the authority of Title III of the Elementary and Secondary Education Act. The Challenge Fund helps States implement strategies to enable their schools to fully integrate technology into their school curricula, so that all students can become technologically literate and master the communication, math, science, and other core subjects so that they can succeed in the Information Age. The Challenge Fund program is intended to achieve the following four goals by 2001:

- All teachers in the Nation will have the training and support they need to help all students learn through computers and through the information superhighway;
- All teachers and students will have access to modern computers in their classrooms;
- Every classroom will be connected to the information superhighway; and
- Effective and engaging software and on-line learning resources will be an integral part of every school curriculum.

The program provides formula grants to States based on their share of ESEA Title I allocations; States then award competitive grants to local school districts. States have a great deal of flexibility in determining how to accomplish program goals.

The request is designed to catalyze and leverage State, local, and private-sector efforts to provide our children with greater opportunities to acquire the knowledge and skills they will need to thrive in the next century. The \$425 million request is the second installment of a five-year, \$2 billion investment that is part of the Administration's commitment to modernizing schools so that students are prepared to work in the coming century.

Title I: Education for the Disadvantaged
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998</u> <u>Request</u>
Grants to LEAs	\$6,730.3	\$7,194.1	\$7,540.6
Capital Expenses for Private			
School Children	38.1	41.1	41.1
Even Start	102.0	102.0	108.0

State Agency Programs:

Migrant	305.5	305.5	319.5
Neglected and Delinquent	<u>39.3</u>	<u>39.3</u>	<u>40.3</u>
Subtotal	344.8	344.8	359.8
State School Improvement	—	—	8.0
Evaluation	<u>3.4</u>	<u>7.0</u>	<u>10.0</u>
Total	7,218.6	7,689.0	8,067.6

Title I provides supplemental programs to enable educationally disadvantaged children, particularly those attending schools in high-poverty areas, to learn the core subjects to high standards. With Title I, low-achieving children have the benefit of more individualized instruction, fundamental changes in the school to improve teaching and learning, and preschool education. Children of migrant agricultural workers, and students in State institutions for neglected and delinquent children and youth, also benefit from Title I services.

The 1998 request includes \$7.5 billion, a \$347 million increase, for Grants to Local Educational Agencies. The number of children served by this program has increased rapidly in recent years, as more schools have elected to establish "schoolwide" Title I programs. The Department estimates that in 1998—depending on the growth in schoolwide programs—these grants may serve over 10 million students in more than 50,000 schools.

In order to channel funds to the schools and communities where those funds are most needed, the Department is proposing to allocate the funding increase through the "Targeted Grants" formula, which provides relatively greater funding levels to counties with higher numbers or percentages of children living in poverty. The budget will also help schools continue to implement the program reforms enacted by Congress in 1994, including alignment of Title I programs with broader State and local reforms, expansion of Title I schoolwide programs (which allow greater flexibility in high-poverty schools), and greater involvement of parents in their children's education.

The request for other Title I programs includes the following:

- \$41 million for Capital Expenses for Private School Children, the same as the 1997 level. This program assists LEAs in providing equitable services to children enrolled in religious schools by funding the costs of providing portable vans and the remodeling of space for such services.
- \$108 million for Even Start, a \$6 million increase, to permit expansion of over 500 local programs providing early childhood education, adult education, and parenting instruction for more than 35,000 low-income families.
- \$319.5 million for Migrant Education, a \$14 million increase, to meet the higher costs of providing special services and arrangements for more than 610,000 highly mobile children of migratory workers.

- \$40.3 million for the Neglected and Delinquent program, a small increase over current funding, to serve 180,000 youth in 400 State institutions for the neglected and delinquent and provide a more comprehensive educational program to incarcerated students.
- \$8 million to re-establish State School Improvement Grants, which Congress did not fund in 1996 and 1997. These grants make practitioner expertise available within each State to help the lowest-performing schools improve their Title I programs and meet Title I accountability requirements.
- \$10 million for Title I Evaluation, a \$3 million increase to pay for mandated studies designed to track Title I reforms and examine the impact of restructured programs on students and educational systems. Completion of these studies will provide Congress and the public with feedback on program results in time for reauthorization in 1999-2000 and guide State and local administrators seeking to make program improvements.

Eisenhower Professional Development State Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$275.0	\$310.0	\$360.0

Real reform and improvement in elementary and secondary education require a teaching force that is up-to-date in the content areas and skilled in imparting knowledge to diverse populations of students. Only intensive, ongoing professional development will ensure that educators have the knowledge and skills necessary to teach children to standards of excellence. To help States and school districts provide this kind of professional development, the Department is requesting \$360 million for Eisenhower Professional Development State Grants, an increase of \$50 million over the 1997 level. The Department is requesting an additional \$30 million for Eisenhower Federal Activities, as discussed under Educational Research and Improvement.

In the past year a number of reports have documented the need for better teaching in the Nation's schools. The first report from the Third International Mathematics and Science Study and the report of the National Commission on Teaching and America's Future both concluded that more needs to be done to give teachers the preparation and help they need to do the best possible job in the classroom. The Eisenhower State Grants program provides funding to States and school districts to support professional development in all the core academic subjects, with the first \$250 million focused on mathematics and science. The emphasis is on sustained and intensive high-quality development experiences that are tied to the everyday life of a school and that support continuous improvement in teaching and learning. The program gives schools the flexibility to set their own staff training and development priorities.

The request would help increase the number of well-prepared teachers, including those from underrepresented groups, in the core academic subjects. The Department also is

requesting appropriations language that would improve program performance by requiring grantees to use their funds for professional development activities that meet principles of effectiveness to be published in the Federal Register by the Secretary. These principles will preserve State and local flexibility while ensuring that program funds are used in a manner most likely to result in positive outcomes.

Innovative Education Program Strategies State Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$275.0	\$310.0	—

The request includes no funding for the Title VI Innovative Education Program Strategies block grants. The evaluations of the antecedent Chapter 2 program concluded that the overall purpose of the program—supporting school reform—was not achieved because of the broad, vague, and overlapping nature of the activities eligible for funding. These evaluations also determined that the majority of the activities supported by Chapter 2 received only a small percentage of their funding from the program and thus would be likely to continue in its absence. Moreover, any such activities that are part of State and local education reform strategies could be continued with funds from Goals 2000 and other Department programs.

Safe and Drug-Free Schools and Communities
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Safe and Drug-Free Schools			
State Grants	\$441.0	\$531.0 ¹	\$590.0
National Programs	<u>25.0</u>	<u>25.0</u> ¹	<u>30.0</u>
Total	466.0	556.0	620.0

¹ The 1997 appropriation for the Safe and Drug-Free Schools program allocated all funds to State grants. Upon Congressional approval, the Department plans to reallocate \$25 million of these funds to National Programs.

America's students cannot be expected to learn in schools where they are threatened by drug abuse and violence. The Safe and Drug-Free Schools and Communities program is designed to help make our Nation's schools safe and drug free by supporting comprehensive, integrated approaches to drug and violence prevention. The program provides significant resources to motivate America's youth to reject illegal drugs as well as the use of alcohol and tobacco, which is Goal Number 1 of the National Drug Control Strategy. Toward this end, the request would provide \$620 million for this program, a \$64 million increase over the 1997 level.

The request includes \$590 million for State Grants, an increase of \$59 million over 1997. Proposed appropriations language would improve the accountability of the program by requiring grantees to use these funds for prevention strategies that meet research-based principles of effectiveness to be published by the Secretary. These principles would preserve State and local flexibility while ensuring that program funds are used in a manner most likely to result in positive outcomes. Funds would continue to be used for a variety of activities, including curriculum development, classroom instruction, professional development, early intervention and rehabilitation referral, peer counseling and mediation, conflict resolution, and school security.

National Programs provide discretionary funds for national leadership in the effort to create safe and drug-free learning environments. These funds support development of model programs, evaluation of State and local safe and drug-free schools programs, cooperative activities with other Federal agencies, direct grants to communities with particularly severe drug and violence problems, and campus drug prevention grants to institutions of higher education. The \$30 million requested for National Programs, a \$5 million increase, would enhance the Department's ability to undertake national leadership activities in drug and school violence prevention.

Charter Schools

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$18.0	\$51.0	\$100.0

The Charter Schools program stimulates comprehensive education reform and public school choice by supporting the planning, development, and initial implementation of public charter schools. Charter schools are public schools that are exempted from most education rules and regulations so as to permit more flexible and innovative methods of achieving educational excellence. In exchange for this greater independence, charter schools are held accountable for improving student performance. Twenty-five States and the District of Columbia now have charter schools laws, and additional States are likely to pass charter schools legislation this year. The number of charter schools is also on the increase, with over 400 charter schools in operation during the 1996-97 academic year.

The President's request of \$100 million for Charter Schools would assist the continued growth of this promising educational reform by stimulating the creation of additional charter schools, while at the same time providing large enough grants to support the development of quality schools. The budget would support new and continuing awards for up to 1,100 charter schools, with a target of 3,000 by 2001.

The statute also permits the Department to use a portion of the funding for national activities, including a program evaluation, development of a charter school web site, and workshops for charter school developers and chartering authorities.

Comprehensive Regional Assistance Centers

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$21.5	\$25.6	\$34.4

Under this program, a network of 15 university-based or non-profit centers offers easily accessible, comprehensive technical assistance that cuts across programs and addresses the needs of entire schools and school districts for help in integrating the various ESEA programs in support of State and local reforms designed to improve teaching and learning for all children. Each center provides support, training, and assistance to States, LEAs, schools, and others on curricula, instruction, assessments, professional development, program evaluation, meeting the needs of at-risk populations, creation of a safe and drug-free school environment, implementing educational technologies, and other areas related to implementation and improvement of ESEA programs and educational reforms.

The 1998 request of \$34.4 million, an increase of \$8.8 million, will enable the centers to serve more clients, and provide more intensive services, than has been possible under previous funding levels.

Magnet Schools Assistance

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$95.0	\$95.0	\$95.0

The 1998 request includes \$95 million for the Magnet Schools Assistance program, which makes grants to local educational agencies to operate magnet schools that are part of a court-ordered or federally approved desegregation plan to eliminate, reduce, or prevent minority group isolation in elementary and secondary schools. Magnet schools are highly popular with students, parents, and school districts; about 1.2 million students participated in magnet programs in 1991-92, more than three times the number enrolled in magnets a decade earlier. Despite this growth, there remains a significant unmet need for magnet programs, as indicated by waiting lists at roughly half of existing magnet schools.

The request would enable the Department to make new three-year awards to approximately 60 local educational agencies, as well as the third and final year of Innovative Program grants, which involve desegregation strategies other than magnet schools and which are organized around a special theme or concept.

Indian Education
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Grants to LEAs	\$50.0	\$58.1	\$59.8
Program Administration	<u>2.5</u>	<u>2.9</u>	<u>2.9</u>
Total	52.5	61.0	62.6

The Department's Indian Education programs supplement the efforts of State and local educational agencies, and Indian tribes, to improve educational opportunities for Indian children. The program links these efforts to broader educational reforms underway in States and localities to ensure that Indian students benefit from those reforms and achieve to the same challenging academic standards as other students.

Census and other data document that American Indians continue to be disproportionately affected by poverty and low educational achievement, although this population has made significant gains in recent years. For example, the high school graduation rate for Indians aged 25 and over rose 10 percent during the 1980s, but is still well below the rate for the overall population. The Department's Indian Education programs support locally designed activities that address the particular education needs of Indians within the context of overall educational reforms.

The total 1998 request for Indian Education programs, including Federal administrative costs, is \$62.6 million, a \$1.6 million increase over 1997. The request would support local programs serving up to 422,500 eligible children.

Under the Grants to Local Educational Agencies program, LEAs are required to develop comprehensive plans for the education of Indian children. These plans must include academic and student performance goals based on challenging State or local standards. LEAs periodically report to their communities on the progress they make in achieving the goals. Districts use their formula grants for such activities as early childhood education, educational enrichment programs that build on the Indian culture, and school-to-work transition. The 1998 request for formula grants is \$1.7 million higher than in 1997.

Impact Aid
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Payments for Federally Connected Children:			
Basic Support Payments	581.7	\$615.5	\$584.0
Payments for Children with			
Disabilities	40.0	40.0	40.0
Payments for Heavily Impacted			
Districts	50.0	52.0	20.0
Facilities Maintenance	—	—	10.0
Construction	5.0	5.0	4.0
Payments for Federal Property	<u>\$16.3</u>	<u>17.5</u>	<u>—</u>
Total	693.0	730.0	658.0

The Impact Aid program provides basic support to school districts affected by Federal activities. The 1998 budget request would place priority on children for whom the Federal government has primary responsibility, namely children living on Indian lands and children who live on Federal property and who have a parent on active duty in the uniformed services.

For Basic Support Payments, the request of \$584 million, although \$31.5 million less than the 1997 amount, would provide adequate payments on behalf of children living on Indian lands and children who have parents in the armed forces and who live on Federal property. No payments would be made for the other categories of eligible children, including the so-called "b" children (those who live on or have a parent working on Federal property, but not both).

Payments for Children with Disabilities provide additional support for certain federally connected children who are eligible for services under the Individuals with Disabilities Education Act. The budget would continue these payments at \$40 million, the same as the 1997 level.

The request also would provide Payments to Heavily Impacted Districts to help these districts raise their per-pupil expenditures to levels comparable to other districts in their States. The request of \$20 million should be sufficient to meet the needs of this small group of 10 to 20 districts.

The Department of Education owns and must maintain over 100 school facilities that were originally built to enable local educational agencies and the Department of Defense to educate federally connected children. The \$10 million requested for Facilities Maintenance will fund essential repair and maintenance of these facilities and allow the Department to continue to upgrade and transfer school facilities to LEAs.

The Department is requesting \$4 million for Construction to help pay construction and renovation expenses for eligible LEAs, primarily LEAs serving large numbers of children living on Indian lands.

No funds are requested for Payments for Federal Property, which are made to school districts without regard to the presence of federally connected children. The Administration continues to oppose funding for this program, which was originally recommended for termination by the National Performance Review.

Education for Homeless Children and Youth

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$23.0	\$25.0	\$27.0

This program provides formula grants to all 50 States to operate an Office of Coordinator of Education for Homeless Children and Youth, which carries out activities to ensure that all homeless children have access to a free, appropriate public education. States also make subgrants to local educational agencies for tutoring, transportation, and other services intended to enable homeless children to enroll in, attend, and succeed in school.

While almost all States have revised their laws, regulations, and policies to improve educational access for homeless students, homeless children and youth continue to be a population at significant risk of educational failure. The \$27 million request for this program would allow States to focus both on improving services to homeless children and on increasing the number of students served.

High School Equivalency Program and
College Assistance Migrant Program
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
High School Equivalency Program	\$7.4	\$7.4	\$7.6
College Assistance Migrant Program . . .	<u>2.0</u>	<u>2.0</u>	<u>2.1</u>
Total	9.5	9.5	9.7

The High School Equivalency Program (HEP) funds projects to help low-income migrant and seasonal farm workers gain high school diplomas or equivalency certificates. The College Assistance Migrant Program (CAMP) provides stipends and special services such as tutoring and counseling to migrant students who are in their first year of college. The request would provide first-year funding for a new round of five-year projects. Together these programs support 26 projects serving 4,000 migrant youth.

Inexpensive Book Distribution

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$10.3	\$10.3	\$12.0

This program is administered through a contract with Reading Is Fundamental, Inc. (RIF), a nonprofit organization affiliated with the Smithsonian Institution. RIF allocates funds to local community associations that select and distribute inexpensive books to children free-of-charge. Since 1991, legislation has required RIF, in selecting new local projects, to give priority to those that will serve children who are low-income, disabled, homeless, or have other special needs. The request provides increased support for RIF, in recognition of its role in encouraging reading among young children and their families—a Department and Administration priority. RIF and its local affiliates would provide 8.3 million books to 2.6 million students in 1998.

Arts in Education

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$9.0	\$9.0	\$9.5

This program supports student competency in the arts, a component of the National Education Goals, by encouraging the integration of arts education into elementary and secondary school curricula. The Department awards funds to the Very Special Arts organization, which develops programs that integrate the arts into the general education of children with disabilities and the lives of adults with disabilities, and to the John F. Kennedy Center for the Performing Arts education program, which supports a variety of State arts education activities.

In addition, the program statute authorizes Federal support for research, development of standards and assessments, professional development, and collaborative activities with other agencies. The 1998 request of \$9.5 million includes \$500,000 for these purposes, while continuing the 1997 funding levels for the Kennedy Center and Very Special Arts.

Women's Educational Equity

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	—	\$2.0	\$4.0

The Women's Educational Equity program promotes educational equity for girls and women through grants to public agencies, private nonprofit organizations, and individuals. About two-thirds of funds support local implementation of gender-equity policies and practices through such activities as teacher training to ensure gender equity in the classroom and

guidance and counseling to increase opportunities for women in fields in which they are traditionally underrepresented. The remaining funds support dissemination through a national publishing center and research and development.

Training and Advisory Services (Title IV of the Civil Rights Act)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$7.3	\$7.3	\$14.3

The request would re-establish Federal support for State educational agency (SEA) efforts to promote desegregation, while maintaining funding for regional desegregation assistance centers that provide technical assistance and training to districts that are desegregating on the basis of race, sex, or national origin. These activities help ensure equitable access to educational opportunities for all students. In the absence of Federal funding in 1996 and 1997, 20 SEAs closed their Title IV offices, and many others were forced to significantly reduce their operations and staffing.

Education for Native Hawaiians
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Family-Based Education Centers	\$5.6	\$6.1	\$6.1
Higher Education	1.4	2.5	2.5
Gifted and Talented	1.2	1.5	1.5
Special Education	1.2	1.6	1.6
Curriculum Development, Teacher Training, and Recruitment	1.5	2.0	2.0
Community-Based Centers	0.8	1.0	1.0
Native Hawaiian Education Councils	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
Total	12.0	15.0	15.0

These programs provide educational services for Hawaiian Natives, many of whom continue to perform below national norms on achievement tests of basic skills in reading, science, math, and social science. Hawaiian Natives also experience higher than average rates of absenteeism and grade retention. Education for Native Hawaiians programs, which address such issues as early childhood education and educator professional development, fund projects that have improved the educational performance of Hawaiian Native students. The 1998 request of \$15 million would continue support for each of these programs at the 1997 level.

Alaska Native Education Equity
(BA in millions)

1998

	<u>1996</u>	<u>1997</u>	<u>Request</u>
Educational Planning, Curriculum Development, Teacher Training, and Recruitment	—	\$5.0	\$5.0
Home-based Education for Pre-School Children	—	2.0	2.0
School Enrichment	<u>—</u>	<u>1.0</u>	<u>1.0</u>
Total	—	8.0	8.0

These new programs will provide educational services to meet the special needs of Native Alaskan children. Recent studies have shown that 60 percent of Alaska Natives entering high school in urban areas do not graduate. Test scores of Alaska Native students are, on average, 40 percent lower than those of other students. The 1998 request includes level funding for continuation grants to projects that address the barriers preventing Alaska Native children from achieving to higher academic standards.

Ellender Fellowships

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$1.5	\$1.5	—

The Ellender Fellowships program, administered by the Close Up Foundation of Washington, D.C., provides financial aid to enable low-income students and their teachers to participate in week-long seminars on government in Washington. A separate program is designed to increase understanding of the Federal Government among older Americans, recent immigrants, and children of migrant parents.

A 1992 study of the Ellender Fellowship program found that, despite a pattern of increasing Federal funding for the program and significant increases in private-sector support for the Close Up Foundation, the number of fellowships had steadily declined. In 1996, at the request of Congress, the Department and Close Up developed a plan for the Foundation to continue its activities without Federal support after fiscal year 1997. Under this plan, the Foundation will expand its private development activities, including, for the first time, reaching out to Close Up alumni. The Department believes that because of the popularity of the Close Up program these new efforts will be successful; therefore, no funding is requested for Ellender Fellowships in 1998.

B. BILINGUAL AND IMMIGRANT EDUCATION

(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Instructional Services	\$117.2	\$156.7 ¹	\$160.0
Support Services	9.7	— ¹	14.0
Professional Development	1.1	— ¹	25.0
Foreign Language Assistance	10.0	5.0	5.0
Immigrant Education	<u>50.0</u>	<u>100.0</u>	<u>150.0</u>
 Total	 188.0	 261.7	 354.0

¹ The Department has requested a reprogramming of 1997 funds from Instructional Services to Support Services and Professional Development.

The 1998 request includes \$354 million for bilingual, foreign language, and immigrant education programs, an increase of \$92.3 million or more than 35 percent over 1997. These programs assist local school districts in building their capacity to operate high-quality instructional programs for recently arrived immigrants and other limited English proficient (LEP) students, and to improve foreign language instruction. According to State educational agencies, the number of limited English proficient students rose from 2.2 million in the 1990-91 school year to 3.2 million in the 1994-95 school year, an increase of over 45 percent. As the number of LEP children has grown substantially, the needs of school districts for programs to serve those children—and trained staff to work in those programs—have grown accordingly.

The Bilingual Education Instructional Services authority includes 4 funding categories reflecting the different needs of applicant school districts: (1) Program Development and Implementation Grants, to assist districts in implementing new programs for LEP students; (2) Program Enhancement Grants, to enhance or expand existing programs; (3) Comprehensive School Grants, to support bilingual programs serving all LEP students in a school; and (4) Systemwide Improvement Grants, which will serve the entire LEP population of the school district. Under all four categories, activities supported by Federal grants must be consistent with State education reform plans and integrated with the overall educational program in a school.

The \$160 million request for Instructional Services will support approximately 600 grants serving more than 1 million students.

The budget also includes \$14 million for the Support Services programs, which fund grants to States, research and evaluation activities, the operation of a national clearinghouse on bilingual education, and the Academic Excellence dissemination program. The majority of the funds would help State educational agencies meet their statutory responsibility to review and comment on Instructional Services and Professional Development applications and carry out other activities to improve the quality of bilingual instruction, including collecting data on the number of LEP students statewide.

The request also includes \$25 million, a \$5 million increase, for Professional Development, which funds activities intended to help meet the critical need for additional, fully certified bilingual education and English-as-a-second-language teachers, and to strengthen the skills of current teachers providing instruction to LEP children. The request recognizes the importance of professional development for achieving education reform, and the need of many school districts for qualified bilingual teachers.

For Foreign Language Assistance, the request includes \$5 million, the same as the 1997 amount, to continue 62 State and local projects to improve foreign language instruction. The Department gives priority to funding development of elementary-level projects, particularly in the less-commonly taught languages of Russian, Chinese, Japanese, Arabic, and Korean. The program is intended to spur States and school districts to create high-quality programs in the languages needed to help the Nation compete effectively in international markets.

Finally, in recognition of the additional costs faced by school districts that serve large numbers of recently arrived immigrant students, the Administration is requesting \$150 million for Immigrant Education. This program provides grants to States according to a formula based on the number of recent immigrants in their schools; most funds flow to the States that bear the brunt of the educational burdens created by immigration. The Department is proposing continuation of appropriations language that permits States to direct these funds, on a discretionary basis, to the school districts where they are most needed. The request will assist LEAs in meeting the expense of educating some 875,000 recent immigrant students.

C. SPECIAL EDUCATION AND REHABILITATIVE SERVICES

Overview

The Administration is committed to promoting the empowerment and independence of Americans with disabilities. The 1998 budget request gives priority to programs that expand opportunities for persons with disabilities and improve education and employment outcomes. These include programs providing direct services and those supporting systems change, research, demonstration, outreach, technical assistance, and training activities.

The budget includes a total of \$4.2 billion for Special Education programs, an increase of \$174 million or 4.3 percent over the 1997 level. Most of this increase is requested for Special Education Grants to States and Preschool Grants to assist States in carrying out their responsibility to provide children with disabilities with a free appropriate public education. The authorities for all other programs funded under the Individuals with Disabilities Education Act (IDEA) expired at the end of fiscal year 1995. The Department intends to propose legislation to improve and strengthen the Act based on more than 20 years of experience. Among other things, the Department is developing legislation that would consolidate the 14 Special Purpose Fund programs into 5 new authorities that would provide a better structure for carrying out discretionary grant programs that support State special education and early intervention activities.

For Rehabilitation Services and Disability Research, the budget includes \$2.6 billion, an increase of \$73.9 million or 2.9 percent over the 1997 level. The budget provides a 3.3 percent increase for Vocational Rehabilitation State Grants to help State agencies meet the increased demand for VR services. Increases are also proposed for other key programs that provide direct services to assist individuals with disabilities in obtaining employment and pursuing independent living goals. All of the programs in this account, except for Technology Assistance, are funded under authorities that expire at the end of fiscal year 1997. The Administration will be proposing new authorizing legislation.

SPECIAL EDUCATION

Special Education Grants to States

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$2,323.8	\$3,107.5	\$3,248.8
Children ages 3 through 21 Number served (thousands)	5,629	5,798	5,899

Over the past two decades States have made tremendous strides in providing children with disabilities with access to an appropriate public education. In 1975, it was estimated that as many as one million children with disabilities were excluded from our public schools, and many more received inadequate or inappropriate services. Today, as a result of Federal legislation, individuals who previously would have been institutionalized and denied

educational services are now completing secondary school, living independently, and working in competitive employment.

However, while there has been tremendous progress, significant challenges remain. Too many students are failing courses and dropping out of school, and enrollment in postsecondary education is still too low. To assist States in improving results for children with disabilities, the Administration will be proposing a number of changes to the Individuals with Disabilities Education Act (IDEA). These changes would promote accountability for performance and better focus resources on—and improve the quality of—teaching and learning.

The Grants to States program makes formula grants that help States pay the excess costs of providing special education and related services to children with disabilities, aged 3 through 21 years. For 1998, the Department is requesting \$3.2 billion for Grants to States, an increase of \$141 million or 4.5 percent over the 34-percent increase in fiscal year 1997. The request would help States cover increases in costs attributable to serving additional children, while maintaining the overall Federal share of the excess costs of serving children with disabilities at 8 percent. This funding is an important resource to State and local educational agencies in carrying out their constitutionally derived responsibilities to provide all children with disabilities with an appropriate public education. Within the amount requested for this program, funds would be made available to conduct a national evaluation of the State grant programs.

Preschool Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$360.4	\$360.4	\$374.8
Children ages 3 through 5			
Number served (thousands)	549	577	600
Per child allocation	\$656	\$625	\$625

The Preschool Grants program provides formula grants to States as an incentive to make a free, appropriate public education available to all children with disabilities ages 3 through 5 and to provide a minimum level of funding to serve these children. The program helps to ensure that young children with disabilities are ready to learn when they enter school. All States currently are serving children with disabilities in this age group. The 1998 request includes an increase of \$14.4 million, or 4 percent, to serve an estimated 23,000 additional children and maintain the Federal share per child at \$625.

Grants for Infants and Families

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$315.8	\$315.8	\$324.0

The Grants for Infants and Families program makes formula grants to States to help them implement statewide systems to make available early intervention services to all eligible children with disabilities, from birth through age 2, and their families. States also may serve infants and toddlers who would be at risk of substantial developmental delays, such as infants with low birth weights or drug-exposed babies, if early intervention services are not provided. This is the only Federal program focused exclusively on children with disabilities from birth through age 2, and it plays a major role in improving the school readiness of young children who are likely to experience poor educational outcomes because of disability. State program data indicate that large numbers of children served by this program enter school not needing special education services or requiring less intensive services. States served 174,288 children in 1996, an increase of 5.5 percent over the number served in 1995.

The 1998 request would provide an increase of \$8.2 million, or 2.6 percent above the 1997 level, to assist States in meeting the rising costs of administering their statewide systems of early intervention services.

Program Support and Improvement
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Research to Practice	—	—	\$99.6
State Improvement	—	—	35.2
Professional Development	—	—	82.1
Parent Training and Information	—	—	15.5
Technology Development and Educational Media Services	—	—	30.0
Deaf-blindness	\$12.8	\$12.8	—
Serious Emotional Disturbance	4.1	4.1	—
Severe Disabilities	10.0	10.0	—
Early Childhood Education	25.1	25.1	—
Secondary and Transitional Services	24.0	24.0	—
Postsecondary Education	8.8	8.8	—
Innovation and Development	14.0	16.0	—
Media and Captioning Services	19.1	20.0	—
Technology Applications	10.0	10.0	—
Special Studies	3.8	3.8	—
Personnel Development	91.3	93.3	—
Parent Training	13.5	15.5	—
Clearinghouses	2.0	2.0	—
Regional Resource Centers	<u>6.6</u>	<u>6.6</u>	<u>—</u>
Total	245.4	252.3	262.5

The request for Program Support and Improvement activities is based on legislation to be proposed that would consolidate the 14 IDEA authorities currently funded under Special Purpose Funds into 5 new authorities. These consolidated authorities would provide a streamlined and coherent structure for carrying out activities designed to provide essential support to the States in their efforts to provide equal educational opportunity to children with disabilities. The request includes \$262.5 million for these activities, \$10.2 million more than provided in 1997 for the 14 programs proposed for consolidation. The authorizations for these programs expired at the end of fiscal year 1995. While reauthorization proposals were developed by the Administration and both houses of Congress, no legislation was enacted during the 104th Congress. The Administration's new consolidation proposal is expected to include the following authorities:

Research to Practice. The budget includes \$99.6 million for Research to Practice activities that would develop and apply knowledge to improve educational and early intervention results for children with disabilities. These activities would be targeted on three areas: developing new knowledge through research; applying knowledge to create useful practices through demonstrations; and making knowledge available through outreach, technical assistance, and dissemination.

Priorities would be set through a broad-based planning process that would use the input of policy-makers, administrators, teachers, parents, individuals with disabilities, and researchers to develop a comprehensive, long-range agenda. This new approach to planning would reduce overlap, gaps, and fragmentation inherent in the separate plans and authorizations for each of the expired categorical programs.

About \$70.1 million would be used to cover the continuation costs of projects funded under expired authorities. About \$29.5 million would be available for new activities.

State Improvement. In recognition of the critical role that States play in implementing IDEA, the new State Improvement program would provide flexible support for State agencies to carry out *their* plans for meeting *their* performance goals and for initiating and directing reform.

At least half of the funds provided to each State would be reserved for personnel preparation. The remaining funds would be used to carry out the State's strategies for improving educational results, including strategies for holding school districts and schools accountable for the educational progress of children with disabilities, providing high-quality technical assistance to school districts and schools to improve results for children with disabilities in the context of comprehensive technical assistance efforts, and changing State policies and procedures to address systemic barriers to improving results for students with disabilities.

Professional Development. This program would support awards in three areas: preparing personnel to serve children with disabilities, preparing leadership personnel, and national activities such as developing models for teacher preparation. The overall goal of the program is to help ensure that there are adequate numbers of personnel with the skills and knowledge of the best practices to help children with disabilities achieve high quality results.

For this reason the program would focus on both meeting the demand for personnel to serve children with disabilities and improving the quality of these personnel.

While the proposed \$82.1 million level of funding for the new Professional Development program is \$11.2 million less than the \$93.3 million appropriated in 1997 under the expired authority for Personnel Development, the overall level of support for personnel training will be increased by the requirement that States use at least half (\$12.6 million) of their State Improvement grants for personnel preparation and related activities.

The 1998 request for Professional Development includes about \$22.1 million for new projects and peer review, and \$60 million for continuation projects.

Parent Training and Information. The \$15.5 million request would support at least one center in each State to provide about 200,000 parents each year with the training and information they need to participate effectively with professionals in meeting the early intervention and special education needs of their children with disabilities. Funds would support approximately 69 projects, including \$11.1 million for continuations and \$4.4 million for new awards.

Technology Development and Educational Media Services. The \$30 million requested would support activities formerly funded under the Media and Captioning Services and Technology Applications programs. Funds would be used for a variety of media-related purposes, such as captioning films and television for individuals with hearing impairments and video description and recording activities for individuals with visual impairments. Funds also would be used for research, development, and other activities to advance the application of new and emerging technologies in providing special education and early intervention services.

REHABILITATION SERVICES AND DISABILITY RESEARCH

Vocational Rehabilitation (VR) State Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$2,114.3	\$2,176.0	\$2,246.9

The 1998 request provides an increase of \$70.9 million, or 3.3 percent over the 1997 level, to assist State VR agencies in meeting the current demand for VR services and to offset the increased costs of providing VR services to a more severely disabled population. The requested increase is \$5.6 million more than necessary to satisfy the statutory requirement to increase funding by at least the percentage change in the Consumer Price Index. Vocational Rehabilitation State Grants provide funds to State vocational rehabilitation agencies to help individuals with disabilities become gainfully employed. Funds are distributed on the basis of a formula that takes into account population and per capita income. The request includes \$12.4 million for grants to Indian tribes, an increase of \$360,000 over the 1997 level and \$1.1 million more than the minimum statutory set-aside.

A wide range of services is provided each year to over 1 million individuals with disabilities, including vocational evaluation, counseling and guidance, work adjustment, diagnosis and treatment of physical and mental impairments, education and vocational training, job placement, and post-employment services. In the event that services cannot be provided to all eligible individuals with disabilities who apply, States must give priority to applicants with the most severe disabilities. Services are provided according to an individualized written rehabilitation program, which must be developed jointly by the counselor and the individual. Each year, the VR program successfully rehabilitates approximately 200,000 individuals with disabilities, of which about 86 percent enter the competitive labor market or become self-employed. Approximately 76 percent of the individuals served have severe disabilities.

Client Assistance State Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$10.1	\$10.4	\$10.7

The 1998 request includes a \$322,000 or 3.1 percent increase to help States maintain their present level of services provided under this program, which makes formula grants to States for activities to inform and advise clients of benefits available to them under the Rehabilitation Act and to assist them in their relationships with service providers, including remedies to ensure the protection of their rights under the Act.

Training

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$39.6	\$39.6	\$39.6

The budget includes \$39.6 million for this program, which makes grants to States and public or other nonprofit agencies and organizations, including institutions of higher education, to help ensure that adequate skilled personnel are available to provide rehabilitation services to persons with disabilities. The request includes about \$30.4 million for continuations.

Special Demonstration Programs

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$24.9	\$18.9	\$16.9

This program provides discretionary grants to projects that develop innovative methods, including supported employment, to improve vocational outcomes for individuals with disabilities. The Department is proposing a reduction of \$2 million for this activity in order to redirect funds to the Vocational Rehabilitation State Grants program, which supports direct services, and to Program Improvement to support model demonstrations that promote systems change. The request would provide approximately \$6.8 million for new awards, for which the Department would give competitive preference to projects that propose to serve individuals in areas designated as empowerment zones or enterprise communities. In addition, the requested funds would provide approximately \$9.5 million for continuation projects.

Migratory Workers

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$1.4	\$1.9	\$2.4

This program awards competitive grants to State vocational rehabilitation agencies and nonprofit organizations to provide rehabilitation services to migratory workers with disabilities. States that receive funding under this program are consistently more aggressive in serving this population than those that do not. For this reason, the request includes a \$500,000 increase to support 4 new projects in addition to 11 ongoing projects.

Recreational Programs

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$2.6	\$2.6	\$2.6

This program supports projects that provide recreation and related activities for individuals with disabilities to aid in their employment, mobility, independence, socialization, and community integration. The \$2.6 million request would support 31 projects, including 9 new projects and 22 continuations. Because the Federal contribution to each program declines over the project period, the Department is able to initiate new recreational programs each year with no increase in Federal funds.

Protection and Advocacy of Individual Rights

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$7.5	\$7.7	\$7.9

The \$7.9 million request would support systems in each State to protect and advocate for the legal and human rights of individuals with disabilities. These protection and advocacy systems pursue legal and administrative remedies to ensure the protection of the rights of individuals with disabilities under Federal law and provide information on and referrals to programs and services for individuals with disabilities.

Projects with Industry

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$22.1	\$22.1	\$22.1

These projects provide training and experience for individuals with disabilities in realistic work settings to prepare them for employment and advancement in the competitive labor market. PWI promotes the involvement of business through Business Advisory Councils that participate in project policymaking and provide advice on available jobs and training requirements. Since 1990, PWI has annually placed an average of 12,500 individuals with disabilities in competitive employment. Most of the individuals served through this program are considered difficult to place due to severe disability or extended unemployment (at least 6 months at time of project entry). The \$22.1 million request would support approximately 100 new and 5 continuation awards.

Supported Employment State Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$38.2	\$38.2	\$38.2

This program provides formula grants to assist States in developing collaborative programs with appropriate public and private nonprofit organizations to offer supported employment services for individuals with the most severe disabilities. Supported employment placements are achieved by augmenting short-term vocational rehabilitation services with ongoing support provided by other public or non-profit organizations.

This program served about 37,300 individuals in fiscal year 1996, while about 38,200 individuals received similar services that year through the VR State Grants program. While recognizing that supported employment is an important approach to promoting competitive employment for individuals with the most severe disabilities, the Department's position is

that additional funds for this purpose should be provided through the VR State Grants program.

Independent Living

BA in millions

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
State Grants	\$21.9	\$21.9	\$21.9
Centers for Independent Living	41.7	42.9	44.2
Services for Older Blind Individuals	<u>9.0</u>	<u>10.0</u>	<u>10.0</u>
Total	72.6	74.8	76.1

The three independent living programs provide services to individuals with disabilities to maximize their independence and productivity. The State Grants program awards formula grants to States to provide and improve independent living services and to support the operation of centers for independent living. The Centers for Independent Living program makes competitive grants to support a network of consumer-controlled, nonresidential, community-based centers that provide a broad range of independent living services. The Services for Older Blind Individuals program assists individuals aged 55 or older whose severe visual impairment makes competitive employment difficult to obtain, but for whom independent living goals are feasible.

The \$76.1 million request would provide an increase of \$1.3 million or 3.1 percent for the Centers for Independent Living program, which would trigger an increase in the minimum State allotment and support the funding of new centers in unserved or underserved areas.

Program Improvement

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	—	\$2.4	\$3.9

This program supports technical assistance to States to improve the operation of the VR State Grants program, the provision of services to individuals with disabilities, and other program improvement activities. Funds also are used to improve accountability and help the Department address critical areas of national significance in achieving the purposes of the Rehabilitation Act. The \$3.9 million request, an increase of \$1.5 million or 63 percent over the 1997 level, would support model demonstrations designed to increase the capacity of employment and employment training programs to serve individuals with disabilities who are not currently served by the VR State Grants program.

Evaluation

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$1.6	\$1.6	\$1.6

These funds are used to evaluate the impact and effectiveness of programs authorized by the Rehabilitation Act of 1973. The request would support two new program evaluations, as well as further analysis of data from the longitudinal study of the VR State Grants program and efforts to disseminate and utilize study findings.

Helen Keller National Center

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$7.1	\$7.3	\$7.5

The request includes a \$191,000 or 2.6 percent increase to enable the Center to keep pace with the increased costs of serving individuals with deaf-blindness at its residential center, training professionals and allied personnel, and providing services that enhance the ability of individuals with deaf-blindness to live independently in their home communities.

National Institute on Disability and Rehabilitation Research

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$70.0	\$70.0	\$71.0

The National Institute on Disability and Rehabilitation Research (NIDRR) provides a comprehensive and coordinated approach to the administration and conduct of research, demonstration projects, and related activities dealing with the rehabilitation of persons of all ages with disabilities, including training of persons who provide rehabilitation services or who conduct rehabilitation research.

NIDRR awards discretionary grants for support of rehabilitation research and training centers, rehabilitation engineering research centers, and research and demonstration projects that address diverse issues in rehabilitation, including the causes and consequences of disability and ways to improve educational, employment, and independent living opportunities for persons with disabilities. Grants or contracts are also awarded for utilization and dissemination of research results and for training.

The 1998 request would provide approximately \$43 million for continuations, including 29 research centers and 10 Disability and Business Technical Assistance Centers. Another \$28 million would be used for new activities, including 27 new research centers and 30 new Field-Initiated Research projects.

Assistive Technology

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$36.1	\$36.1	\$36.1

This program provides discretionary grants to help States develop and implement consumer-responsive, comprehensive statewide programs that facilitate the provision of assistive technology devices and services to individuals with disabilities. The \$36.1 million request would provide increases for States with an initial extension grant and States in the first three years of a second extension grant.

Special Institutions for Individuals with Disabilities
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
American Printing House for the Blind	\$6.7	\$6.7	\$6.7
National Technical Institute for the Deaf	42.2	43.0	43.0
Gallaudet University	<u>77.6</u>	<u>79.2</u>	<u>79.2</u>
Total	126.5	128.9	128.9

American Printing House for the Blind. The \$6.7 million request would maintain funding for APH at the 1997 level. The Louisville, Kentucky-based Printing House provides special education materials for students who are blind, offers advisory services for consumers, and conducts research. Each State receives an allotment that can be used to purchase materials from the Printing House. The appropriation represented approximately 34 percent of APH's total budget in 1996.

National Technical Institute for the Deaf. The \$43.0 million request would maintain the 1997 level of Federal support for operations of the Institute, which provides postsecondary technical education and training for students who are deaf. The request provides funding for NTID in one line item to give the Institute the flexibility to direct funding to its highest priorities. NTID also may use current-year program funds for the endowment grant program. No funds are requested for construction. In 1996, the Federal appropriation accounted for about 82 percent of the budget for the Institute, which is based in Rochester, New York.

Gallaudet University. Gallaudet is a private, nonprofit liberal arts institution in Washington, D.C., offering undergraduate and continuing education programs for persons who are deaf, and graduate programs for persons who are deaf or hearing. Gallaudet also maintains and operates the Kendall Demonstration Elementary School and Model Secondary School for the Deaf. The \$79.2 million request would maintain the 1997 level of support for Gallaudet. The request provides funding for Gallaudet in one line item to give the University the

flexibility to determine the appropriate allocation of funds among the elementary, secondary, and university-level programs. Gallaudet also may use current-year program funds for its endowment grant program. No funds are requested for construction. In 1996, the Federal appropriation provided approximately 72 percent of the University's total funding.

D. VOCATIONAL AND ADULT EDUCATION

(Including the School-to-Work Opportunities Act)

Americans must prepare for a 21st century in which new knowledge-based technologies and global competition will reshape the economic landscape. To respond to these changes, people will need a combination of sound academic skills and broad-based technical skills. The Department's School-to-Work Opportunities, Vocational Education, and Adult Education programs help Americans of all ages attain these skills.

School-to-Work Opportunities

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	180.0 ¹	200.0 ²	200.0 ²

¹ The Department of Labor received \$170 million in 1996.

² An identical amount is included in the Department of Labor budget.

The Administration is requesting a total of \$400 million—\$200 million for the Department of Education and \$200 million for the Department of Labor—for School-to-Work Opportunities—a promising educational strategy that aims to connect what goes on in the classroom to future careers and to real-work situations, and to connect students to a broad range of opportunities for postsecondary education and advanced training.

School-to-Work funds have been used for planning and implementation grants to 37 States, grants to local and rural areas characterized by high poverty, training and technical assistance to States and localities, and evaluations. The 1997 appropriation is expected to permit all 50 States to fully implement school-to-work strategies as an integral part of their educational systems. The 1998 request would maintain support for these efforts, with the phase-out of Federal support commencing in 1999 and the transition to full State and local financing completed at the end of the year 2000.

Vocational Education
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Basic Grants	\$972.8	\$1,015.6	\$1,043.6
Tech-Prep Education	100.0	100.0	105.0
National Programs	5.0	13.5	20.5
Tribally Controlled Postsecondary Vocational Institutions	2.9	2.9	2.9
Subtotal	1,080.7	1,132.0	1,172.0
Permanent Appropriation (Smith- Hughes Act)	<u>7.1</u>	<u>7.1</u>	<u>—</u> ¹
Total	1,087.8	1,139.1	1,172.0

¹ Proposed for repeal.

The 1998 budget includes nearly \$1.2 billion for vocational education programs, a \$33 million increase over the 1997 level. While the budget request is submitted under current law, the Administration will shortly submit a proposal for the reauthorization of the Perkins Vocational and Applied Technology Education Act. The proposal would consolidate most current program authorities, enhance State and local flexibility by eliminating many administrative and governance requirements, strengthen the Act's focus on accountability and program results, and target funds more effectively on the neediest communities and educational institutions.

For State Grants, which provide formula grants that States, local educational agencies, and postsecondary institutions use to improve vocational education programs and to ensure that individuals with special needs have full access to those programs, the request is \$1.0 billion, a \$28 million increase over the 1997 level. The Act concentrates Federal resources on schools and colleges with high concentrations of low-income and other special-needs students.

The budget also includes a \$5 million increase, to \$105 million, for Tech-Prep Education, which supports State formula grants for programs that link secondary and postsecondary, and vocational and academic, instruction to prepare individuals for high-tech careers. Level funding is provided for Tribally Controlled Postsecondary Vocational Institutions, which enhance opportunities in vocational education for Indian students.

The Department uses vocational education National Programs funds for applied research and development activities designed to improve and assess vocational education programs nationally. With the \$20.5 million requested for 1998, a \$7 million increase, the Department would continue funding for the National Center for Research on Vocational Education, launch a new national assessment of vocational education programs, and support and

assess the development of high school reforms that feature the integration of vocational and academic instruction with workplace and service learning.

The budget request assumes that no funding will be made available through the Smith-Hughes Act permanent appropriation because the Administration is proposing to repeal that authority, which duplicates Perkins Act funding.

Adult Education
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998</u> <u>Request</u>
Adult Education State Grants	\$247.4	\$340.3	\$382.0
Evaluation and Technical Assistance	2.6	5.0	6.0
National Institute for Literacy	4.9	4.5	6.0
Literacy Programs for Prisoners	<u>4.7</u>	<u>4.7</u>	<u>—</u>
Total	259.6	354.6	394.0

To help adult Americans improve their literacy skills so they can succeed in their roles as workers, citizens, and parents, the 1998 budget includes \$382 million for Adult Education State Grants, up \$41.7 million or 12 percent over 1997. The request is aimed at helping States to increase the number of adults served, to improve program quality, and to meet increased demand created by welfare reform and new immigration legislation. While the 1998 budget is submitted under current law, this year the Administration will submit a reauthorization proposal that would streamline administration, increase State flexibility, strengthen accountability, emphasize program quality and improvement, and target funds more effectively on the neediest communities and populations.

A \$6 million request for Evaluation and Technical Assistance would support a program of evaluation and technical assistance emphasizing the incorporation of technology in adult education programs, improvement of program quality, and identification of promising practices.

For the National Institute for Literacy, the Department's \$6 million request would continue support for efforts to identify, promote, and demonstrate approaches that effectively respond to the diverse needs of adult learners. The Institute also would continue to build national awareness of, and support for, public literacy.

Because all States use a portion of their Adult Education State Grant funds to provide literacy services to incarcerated and other institutionalized individuals, the Department is not requesting funding for the separate Literacy Program for Prisoners activity.

E. POSTSECONDARY EDUCATION

Overview

The 1998 budget request for postsecondary education reflects President Clinton's strong support for higher education and takes important steps toward ensuring continued access to postsecondary education for all Americans. The request would significantly increase grant aid and work-study assistance while reducing student borrowing costs. Additionally, the request complements the Administration's proposed tax relief for postsecondary education expenses, which include a series of income tax credits, deductions, and savings incentives.

The President's tax-relief proposals are designed to significantly change the pattern of student participation in American postsecondary education by helping to make at least 2 years of education beyond high school the standard for all Americans.

While not included in the Department's budget request, these proposals—including the America's Hope Scholarship tax credit and the Middle-Class Bill of Rights tax deduction—are described below. The President's proposals would provide about \$4 billion in tax relief in 1998 to help make college more affordable for working and middle-income students and their families.

Following are the highlights of the Department's 1998 request:

- Total financial aid available would grow to \$47 billion, a 10 percent increase over the 1997 level. Grants, loans, and work-study opportunities would be provided for over 8 million students, or 450,000 more than in 1997.
- The Pell Grant maximum award would increase by \$300 to \$3,000—the highest level ever—to improve access to postsecondary education for students from the neediest families. The number of recipients would increase by 348,000 to over 4 million.
- Need analysis for independent students without dependents would be changed to provide more equitable treatment of these students and allow more of them to qualify for student aid.
- A \$27 million increase for the Work-Study program would add 28,000 new recipients as part of the President's commitment to increase the number of recipients to 1 million by the year 2000. The President also has called upon colleges to use a significant portion of their new Work-Study allocations for students serving as tutors in the America Reads Challenge initiative.
- Student loan origination fees would be reduced from 4 percent to 2 percent on Stafford Loans and from 4 percent to 3 percent on other loans—cutting in half the fees charged to the neediest borrowers. In addition, the interest rates charged while the student is in school or in deferment would be reduced.
- The FFEL guaranty agency system would be streamlined to clarify the Federal Government's role as sole guarantor of all student loans. Guaranty agency retention

of default collections would be reduced from 27 percent to 18.5 percent—the same rate as the Department's cost of collections—and lender risk-sharing would be increased as an incentive for default prevention.

- \$132 million for Presidential Honors Scholarships would reward the academic excellence of the top 5 percent of graduating students in every high school in the Nation by providing a 1-year \$1,000 scholarship to help pay college costs.
- A \$6 million request would fund the Advanced Placement Fee program for the first time to supplement State efforts to pay the costs of the advanced placement test for low-income students. The Department estimates that the program would assist approximately 136,000 students.
- Funding for the Minority Teacher Recruitment program would be increased by nearly 70 percent to expand the pool of minority teachers, and all Byrd Honors Scholarship recipients would be fully-funded.
- A \$25 million increase for the TRIO programs would provide important outreach and support services to an additional 36,662 low-income and first-generation college students. The total number of students served by TRIO in 1998 would be nearly 725,000.

Tax Proposals (included in the Treasury budget)

- The America's Hope Scholarship would provide a tax credit of up to \$1,500 to first-year postsecondary students and to second-year students who earned at least a "B" average in their first year.
- The proposed Middle-Class Bill of Rights tax deduction would allow all taxpayers—even those who do not itemize their deductions—to deduct payments for postsecondary tuition and fees from their incomes. After a maximum \$5,000 deduction during a 2-year phase-in period, the maximum deduction would be raised to \$10,000 beginning January 1, 1999. Those eligible for both the tax credit and the deduction could choose between the two.
- The proposed expanded use of Individual Retirement Accounts would provide a strong incentive to individuals and families to save for college by allowing penalty-free withdrawals after 5 years if used to pay postsecondary education expenses.
- The tax code would be modified to allow a borrower to exclude from his or her taxable income any unpaid loan balance that remained after 25 years of income-contingent repayment in the Department's student loan programs.
- The expired Section 127 provision allowing taxpayers to deduct up to \$5,250 in employer-provided postsecondary tuition expenses from their incomes each year would be extended—with graduate education reinstated—through December 31, 2000.

Student Aid Summary Tables

The following tables show estimated Federal student aid funding, aid available, and recipients under the Education Department's 1998 budget request.

<u>Budget Authority (\$ in millions)</u>	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Pell Grants	\$4,914	\$5,919	\$7,635 ¹
Federal Family Education Loans ²	3,576	177	2,126
Federal Direct Student Loans ³	679	600	1,283
Work-Study	617	830	857
Supplemental Grants	583	583	583
Perkins Loans	113	178	188
State Student Incentive Grants	<u>31</u>	<u>50</u>	<u>—</u>
 Total	 10,513	 8,337	 12,672

¹ Includes amount for proposed changes to independent student need analysis formula.

² Budget authority requested for FFEL does not include the liquidating account.

³ Includes subsidy costs plus Federal administration funding for Direct Student Loans, which includes funds used for student aid management and support for guaranty agencies.

Aid Available to Students (\$ in millions)¹

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Pell Grants	\$5,642	\$6,209	\$7,786 ²
Federal Family Education Loans	16,711	16,965	16,774
Federal Direct Loans	8,357	9,938	12,037
Consolidation Loans ³	5,069	6,803	7,729
Work-Study	760	1,007	1,036
Supplemental Grants	738	738	738
Perkins Loans	943	1,058	1,087
State Student Incentive Grants ⁴	<u>63</u>	<u>100</u>	<u>0</u>
 Total	 38,283	 42,818	 47,186

¹ Shows total aid generated by Department programs, including Federal Family Education Loan capital, Perkins Loan capital from institutional revolving funds, and institutional and State matching funds.

² Includes amount for proposed changes to independent student need analysis formula.

³ New FFEL and Direct loans issued to consolidate existing loans.

⁴ Reflects the SSIG program's statutory dollar-for-dollar State matching requirement.

Number of Student Aid Awards
(in thousands)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Pell Grants	3,601	3,661	4,009 ¹
Federal Family Education Loans	4,643	4,383	4,136
Federal Direct Loans	2,468	2,959	3,516
Consolidation Loans	364	520	598
Work-Study	713	945	973
Supplemental Grants	991	991	991
Perkins Loans	703	788	810
State Student Incentive Grants ²	<u>105</u>	<u>167</u>	<u>—</u>
 Total awards	 13,588	 14,414	 15,034

Number of Students Aided

Unduplicated count	7,238	7,607	8,057
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¹ Reflects proposed changes to independent student need analysis formula.

² Reflects only the SSIG program's statutory dollar-for-dollar State matching requirement.

Student Aid Overview

The 1998 request for the student aid programs continues the President's commitment to opening the doors of college to more Americans. Last year, the Congress approved the President's request to provide the largest Pell Grant increase in 20 years, and to provide new Work-Study jobs to hundreds of thousands of students. This year's request builds upon these significant investments. The Administration has developed a comprehensive strategy to give every American the chance to go to college, and to make college more affordable for students and families currently struggling to pay for it.

The request would increase the maximum Pell Grant award to \$3,000, expanding upon the gains made last year to restore the lost buying power of Pell Grants for needy students. Next, the budget supports the President's goal of providing Work-Study opportunities to 1 million students by the year 2000. Finally, the Administration would continue funding for Supplemental Educational Opportunity Grants (SEOG) and Perkins Loans Capital Contributions at the 1997 levels. These programs are vital in providing students from lower-income families with access to postsecondary education and training.

To improve equity in the effects of the student aid need-analysis system, the Administration is proposing to make the treatment of independent students more equitable. This change will increase the eligibility of these independent students for Pell Grants and other need-based student aid, and would better serve low-income students than would a refundable tax credit. The Department estimates that this proposed change would increase the number of Pell Grant recipients in this category by 218,000 in 1998-97, closer to the proportion of such students receiving Pell Grants before the Higher Education Amendments of 1992.

Tax Proposals

The President has stated that his goal is to make the 13th and 14th years of education as universal tomorrow as the first 12 years are today. The Administration's loan and tax relief proposals would make postsecondary education more affordable for middle-income families and students currently struggling to pay for college. The tax proposals complement the Pell Grant request and need analysis changes that would increase postsecondary educational opportunities for lower-income Americans.

The Administration's 1998 proposals recognize that working students and families whose tax liability is less than the full amount of the Hope Scholarship would benefit more from the higher maximum Pell Grant and need analysis formula change than from a refundable tax credit. Needy students in particular would benefit more from the up-front assistance and simplicity provided through the Pell Grant program. However, the Administration believes that Federal assistance for middle-income families struggling to finance their children's education is better accomplished through the income tax system.

The America's Hope Scholarship would provide a nonrefundable income tax credit of up to \$1,500 annually for tuition and fee charges incurred for the first two years of postsecondary education. This tax credit would promote two years of postsecondary education as the standard for all Americans by helping more Americans better afford their educational costs.

First-year students enrolled in a degree or certificate program, or their families, could qualify for up to a \$1,500 tax credit. Students could qualify for a second tax credit in a subsequent year if they earned at least a "B" average in their first year. Eligibility for the credit would be reduced by Pell and other Federal grant assistance received. No taxpayer could receive the credit for more than 2 tax years.

The President has also proposed a tax deduction for postsecondary education tuition and fees for those who are ineligible for, or choose not to take advantage of, the Hope Scholarship tax credit. The maximum deduction would be \$10,000 beginning January 1, 1999, following a 2-year phase-in period with a \$5,000 maximum. In addition, the President has proposed an expanded use of Individual Retirement Accounts that would permit penalty-free withdrawals to help pay postsecondary education expenses.

Furthermore, the Administration is proposing to extend the exclusion from taxable income for employer-provided educational assistance through December 31, 2000. The proposal also would reinstate graduate education as qualifying for this exclusion.

Pell Grants

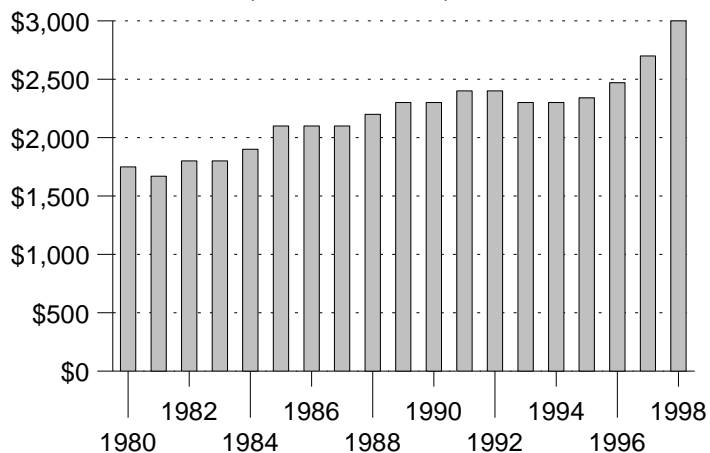
	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$4,913.6	\$5,919.0	\$7,635.0
Aid available (\$ in millions)	5,642.0	6,209.0	7,786.0
Recipients (in thousands)	3,601	3,661	4,009
Maximum grant	\$2,470	\$2,700	\$3,000
Average grant	\$1,567	\$1,696	\$1,942

The Pell Grant program helps ensure financial access to postsecondary education by providing grant aid to low- and middle-income undergraduate students. The most need-focused of the Department's student aid programs, Pell Grant awards vary in proportion to the financial circumstances of students and their families.

The Administration is proposing to increase the Pell Grant maximum award to \$3,000 in 1998 from the 1997 level of \$2,700. This \$300 or 11-percent increase would expand access

Maximum Pell Grant Awards

(FY 1980 - 1998)



to postsecondary education for millions of disadvantaged students while also increasing opportunities for working Americans to upgrade their knowledge and skills.

Need Analysis Change

In addition to increasing the Pell Grant maximum award, the Administration is proposing to change the need determination rules in the Higher Education Act to make the income protection allowance for independent students without dependents equivalent to what is currently used for other students. This policy change would expand eligibility for all of the Department's need-based student aid programs. As discussed above, the increase in grant assistance resulting from both this policy and the proposed increase in the Pell Grant maximum award would serve low-income students better than a refundable tax credit. The income protection allowance is a fixed amount of the student's income, based on the student's household size and number of household members in college, that is excluded from need determination for the Federal student aid programs.

Lower allowances for these independent students were established by the Higher Education Amendments of 1992. After the change took effect in 1993-94, both the number of grants and average grant received by these students fell significantly. Between 1992-93 (the year prior to enactment) and 1994-95, the proportion of grants received by this group decreased by 6.2 percent. Also during this period, the average grant award received by independent students without dependents dropped by 15 percent, even as the average award for other students—dependent students and independent students with dependents—changed very little. Although demographic and economic factors might also have played a role, these declines are thought to stem largely from the lower income protection allowances.

The Department estimates that at the \$3,000 maximum award level the proposed need analysis change would increase the number of recipients in this category by 218,000 in 1998-99, restoring the group to the approximate share of Pell Grants it received before the 1992 reauthorization. The \$7.6 billion request for Pell Grants, which is \$1.7 billion or 29 percent over the 1997 level, includes \$725 million for the estimated cost of the need analysis change.

Work-Study

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$617.0	\$830.0	\$857.0
Aid available (\$ in millions)	760.0	1,007.0	1,036.0
Recipients (in thousands)	713	945	973
Average award	\$1,065	\$1,065	\$1,065

The Work-Study program provides grants to participating institutions to pay up to 75 percent of the wages of needy undergraduate and graduate students working part-time to help pay their college costs. The remaining 25 percent of the student's wages are provided by the school or other eligible employer. Funds are allocated to institutions on the basis of a

statutory formula, and individual award amounts to students are determined at the discretion of institutional financial aid administrators.

Students may earn their Work-Study awards by working in community service jobs. The statute requires institutions to use at least 5 percent of their Work-Study allocations to support students working in community service activities, and the President has encouraged institutions to use half of their Work-Study increase over the 1996 level for community service activities, with particular emphasis on reading tutors. Work-Study students in community service jobs meet a variety of local needs, including tutoring and literacy training.

To encourage more students to work as reading tutors, and support the President's America Reads Challenge (see Elementary and Secondary Education), the Department has waived the 25 percent institutional matching requirement for students who tutor kindergarten and elementary school students in reading, effective for the 1997-98 academic year. The President's goal is to have 10 percent (100,000) of the America's Reading Corps comprised of Work-Study students by 1999.

Supplemental Educational Opportunity Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$583.0	\$583.0	\$583.0
Aid available (in millions)	738.0	738.0	738.0
Recipients (in thousands)	991	991	991
Average award	\$745	\$745	\$745

The Supplemental Educational Opportunity Grant (SEOG) program provides grant assistance of up to \$4,000 per academic year to undergraduate students with demonstrated financial need. SEOG funds are allocated to institutions on the basis of a statutory formula, and the institutional matching share of grants is 25 percent. Awards to students who meet general need criteria are determined at the discretion of the institutional financial aid administrators. However, schools are required to give priority to students with "exceptional need" and to Pell Grant recipients.

Perkins Loans (BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Federal Capital Contributions	\$93.3	\$158.0	\$158.0
Loan Cancellation Payments	20.0	20.0	30.0
Loan volume (\$ in millions)	943	1,058	1,087
Number of borrowers (in thousands)	703	788	810
Average loan	\$1,342	\$1,342	\$1,342

New Federal Capital Contributions under the Perkins Loans program supplement funds available from the repayment of outstanding loans to the program's institutional revolving funds. Approximately 2,700 participating institutions currently administer Perkins Loans revolving funds, with total assets of about \$6.5 billion. These funds represent nearly 40 years of Federal capital contributions, institutional matching funds, repayments on previous loans, and reimbursements for cancellations. Under current law, institutions provide one dollar for every three Federal dollars. Borrowers currently are charged 5 percent interest during the principal repayment period and no interest during in-school, grace, and deferment periods. The annual maximum amounts a student can borrow under the Perkins Loans program are \$3,000 for undergraduates and \$5,000 for graduate and professional students. The cumulative maximum is \$30,000 for combined undergraduate and graduate or professional study.

The \$30 million request for Loan Cancellations for 1998 reflects the growing number of borrowers entering repayment who are eligible for cancellation of their Perkins loans under the expanded statutory entitlements enacted as part of the Higher Education Amendments of 1992. Eligible borrowers include those who undertake certain public service employment such as teaching in Head Start programs, full-time law enforcement, and nursing.

State Student Incentive Grants

	<u>1996</u>	<u>1997</u>	<u>1998</u> <u>Request</u>
BA in millions	\$31.4	\$50.0	—
Aid available in millions	63.0	100.0	—
Maximum grant	\$5,000	\$5,000	—
Recipients (in thousands) ¹	105	167	—
Average grant	\$600	\$600	—

¹ Reflects the program's statutory dollar-for-dollar State matching requirement.

The State Student Incentive Grant (SSIG) program provides dollar-for-dollar Federal matching funds as an incentive for State support of need-based postsecondary student grant assistance. When the program was first authorized in 1972, 28 States had undergraduate grant programs. Now all States have established need-based student grant programs, and with States overmatching their SSIG awards by about 20-1, expenditures for such grants have expanded to nearly \$2 billion even as Federal funding has dropped or remained level.

The Department is proposing to eliminate funding for the SSIG program in 1998. The program has clearly achieved its original purpose and Federal support is no longer needed. As a result, the National Performance Review recommended elimination of the SSIG program. The Administration proposed a multi-year phase-out of the program in the 1996 Budget to give States time to plan for the elimination of Federal funding, and appropriations since then have fallen below the 1995 level of \$63 million.

Direct Student Loans and Federal Family Education Loans
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Direct Student Loans			
New Loan Subsidies	\$241.0	\$412.6	\$751.3
Re-estimate of Prior Loans ¹	2.7	-303.7	—
Federal Administration—Student Aid Management ²	<u>435.7</u>	<u>491.0</u>	<u>532.0</u>
Subtotal, Direct Loans	679.4	600.0	1,283.3
	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Federal Family Education Loans			
New Loan Subsidies	\$2,951.1	\$2,661.1	\$2,077.9
Re-estimate of Prior Loans ¹	595.0	-2,530.6	—
Federal Administration	<u>30.0</u>	<u>46.5</u>	<u>47.7</u>
Subtotal, FFEL loans	3,576.1	177.0	2,125.6
FFEL Liquidating Account ³	1,152.9	—	—
Total, Student Loans	5,408.4	777.0	3,408.9
New loan volume			
Direct Loans	8,357	9,938	12,037
Federal Family Education Loans ⁴ ...	16,711	16,965	16,774
Direct Consolidation Loans	803	2,589	3,340
FFEL Consolidation Loans	<u>4,266</u>	<u>4,214</u>	<u>4,389</u>
Total	30,137	33,706	36,540
Number of loans (in thousands)			
Direct Loans	2,468	2,959	3,516
Federal Family Education Loans ⁴ ...	4,643	4,383	4,136
Direct Consolidation Loans	83	215	290
Consolidation Loans	<u>281</u>	<u>305</u>	<u>308</u>
Total	7,476	7,862	8,250

¹ Decrease in re-estimate is primarily due to lower default rate projected for prior loans. Under Credit Reform, the subsidy amounts needed for active loan cohorts are re-estimated annually and appear in the "current" year, i.e., fiscal year 1997.

² These costs include loan servicing, collection, and other administrative costs associated with the Direct Student Loan program, and student aid management costs such as application processing as well as other ADP contracts, including the National Student Loan Data System. In 1998, about 30 percent of these costs reflect estimated payments to FFEL guaranty agencies.

³ This account reflects costs associated with loans made prior to 1992. In 1997 and 1998, default collections will exceed default and in-school interest costs.

⁴ The reduction in the number and volume of FFEL loans in 1997 and 1998 is primarily due to the phase-in of Direct Loans.

The Department of Education operates two major student loan programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Direct Loan (Direct Loan) program. The Administration is committed to providing two strong programs allowing individual institutions to choose which best meets their needs and the needs of their students.

The FFEL program makes loan capital available to students and their families through some 7,100 participating private lenders. There are 36 active State and private nonprofit guaranty agencies—which administer the Federal guarantee protecting FFEL lenders against losses related to borrower default. These agencies also collect on defaulted loans and provide other services to lenders.

In order to reduce complexity, improve efficiency for both borrowers and schools, and lower taxpayer costs, a simpler Direct Loan program was established by the Student Loan Reform Act (SLRA) of 1993. Under this program, the Federal Government uses Treasury funds to provide loan capital directly to schools, which then disburse loan funds to students—greatly streamlining loan delivery for students, parents, and schools.

The Direct Loan program began operation in academic year 1994-95 with about 7 percent of overall student loan volume. The program grew to 30 percent of volume in academic year 1995-96, and is expected to account for 36 percent in academic year 1996-97. In early 1997, there were 1,576 schools participating in Direct Loans, or about 25 percent of all schools participating in the Department's student loan programs.

Basic Loan Program Components

Both FFEL and Direct Loans feature four types of loans with similar fees and maximum borrowing amounts:

- Stafford Loans are subsidized, low-interest loans based on financial need. The Federal Government pays the interest while the student is in school and during certain grace and deferment periods.
- Unsubsidized Stafford Loans are offered at the same low rates as subsidized Stafford Loans, but the Federal Government does not pay interest for the student during in-school, grace, and deferment periods.
- PLUS Loans are available to parents of dependent undergraduate students. The maximum interest rate for PLUS loans is higher than for Stafford or Unsubsidized Stafford Loans, and the Federal Government does not pay interest during in-school, grace, and deferment periods.
- Consolidation Loans allow borrowers with multiple student loans who meet certain criteria to combine their obligations and extend their repayment schedules.

All loans except FFEL Consolidation Loans have variable interest rates which change annually and are capped at 8.25 percent for Stafford and Unsubsidized Stafford Loans and 9 percent for PLUS Loans.

The 1998 Request

The Administration is proposing a number of changes that would reduce student borrowing costs by more than \$2 billion over the next five years while improving the effectiveness and efficiency of the student loan programs. These changes include significantly reducing borrower fees, creating greater uniformity between FFEL and Direct Loan program benefits, improving incentives for default reduction, and restructuring the guaranty agency system. In addition to savings for students, the Department estimates that these proposals would save taxpayers \$3.5 billion over the same period.

Borrower-Related Proposals

The budget includes the following proposals to reduce student borrowing costs and facilitate repayment:

- Loan fees for the neediest borrowers would be cut in half, thus increasing the loan dollars available to meet college costs. In the FFEL program, the 1-percent guaranty agency fee would be eliminated and the Stafford Loan origination fee would be reduced from 3 percent to 2 percent. For Direct Loans, the Stafford Loan origination fee would fall from 4 percent to 2 percent, while the origination fee for other loans would be reduced from 4 percent to 3 percent.
- Offering FFEL borrowers three of the flexible repayment plans available in the Direct Loan program—graduated, extended, and alternative—under the same terms and conditions. The current FFEL income-sensitive plan would be maintained.
- Clarifying that Direct Loan obligations remaining after 25 years, which are forgiven under income-contingent repayment, will not be treated as income for Federal tax purposes.
- Providing more similar terms for consolidation between the FFEL and Direct Loan programs, including applying to FFEL Consolidation Loans the same variable interest rate currently used for Direct Consolidation Loans, allowing borrowers to maintain interest subsidy benefits associated with the Stafford portions of their consolidation loans, and allowing FFEL borrowers to consolidate while they are in school.

Guaranty Agency Proposals

The Administration is proposing changes in the guaranty agency system to emphasize that these State and private nonprofit entities act only as agents of the Federal Government. Currently, guaranty agencies use Federal funds they hold in reserve to pay a small portion of each lender default claim; the balance is funded through Federal payments. To clarify that the Federal Government is the sole insurer of FFEL loans, the Department would pay 100 percent of each eligible lender default claim. With these changes, guaranty agencies would no longer need to hold Federal funds in reserve. Therefore, the Administration proposes to recall some \$2.5 billion in unneeded Federal reserve funds over the next five years. Other proposed changes include:

- Reducing the percentage of default collections that guaranty agencies may retain from 27 percent to 18.5 percent—the same average percentage the Department pays its default collection contractors. This would help eliminate a current financial disincentive to preventing student loan defaults.
- Requiring periodic recertification of, and certain changes to, guaranty agency agreements. Department agreements would require public disclosure of specific performance information, annual audits, and submission of timely, accurate, and consistent data to the Department's National Student Loan Data System.
- Providing the Secretary with the authority to terminate guaranty agency agreements based on agency performance, and to use performance-based contracts for services currently performed by guaranty agencies.

Lender-Related Proposals

The following proposals would affect lenders participating in the FFEL program:

- Increasing the incentive to prevent defaults by raising lender default risk-sharing from the current 2 percent to 5 percent. The Federal Government would reimburse lenders for 95 percent of eligible default claim amounts, instead of the current 98 percent.
- In order to reduce borrower costs and standardize Federal interest subsidy costs across the FFEL and Direct Loan programs, the interest rate for Stafford Loan and Unsubsidized Stafford Loan borrowers during in-school, grace, and deferment periods would equal the Department's borrowing costs. Since FFEL lender loan servicing costs are lower when borrowers are not in repayment status, the lender's return can be lowered, with the savings passed on to students by reducing the interest rate.
- In place of the current supplemental pre-claims assistance payment to guaranty agencies to help lenders collect delinquent loans, the Department proposes a performance-based lender payment to guaranty agencies tied to agency success in bringing delinquent loans current.

Student Financial Aid Management

In 1998, the Department will spend almost \$668 million, an increase of \$44.2 million over the 1997 level, to administer the Federal student aid programs and make payments for services by FFEL guaranty agencies. This total, which makes up nearly 65 percent of the Department's overall administrative budget, is funded from three sources: mandatory funding authorized under Section 458 of the Higher Education Act (80 percent), discretionary Program Administration (13 percent), and a discretionary appropriation covering a portion of administrative costs associated with the FFEL program (7 percent). The Department's request for funding under Section 458 is \$218 million below the authorized level. Of these student aid management funds, \$152 million reflects direct Federal payments to support FFEL guaranty agency activities. For more details, see Departmental Management (Part G of this document).

Higher Education Programs Overview

The 1998 President's Budget for higher education programs contributes directly to the Department of Education's mission of ensuring equal access to education and promoting educational excellence throughout the Nation. The Department is requesting an increase for the TRIO programs to fund outreach and support services for disadvantaged students, as well as first-time funding of the Advanced Placement Fee program, which would supplement State efforts to pay for the advanced placement test fees of low-income students. Funding increases also are proposed for the Strengthening Historically Black Colleges and Universities, Hispanic-serving Institutions, and Minority Teacher Recruitment programs.

Student achievement and educational excellence would be encouraged through several programs. The proposed Presidential Honors Scholarship program would reward outstanding high school graduates with \$1,000 scholarships for their first year of postsecondary education. Funding for the Byrd Honors Scholarship program would be increased to provide the full \$1,500 scholarship authorized by law. Continued support is sought for the Fund for the Improvement of Postsecondary Education, which makes awards for small, institutional projects aimed at improving the overall quality of postsecondary education.

The Higher Education Programs also help develop a skilled workforce and provide support in areas of critical national need. The Department is proposing a small increase in the International Education and Foreign Language Studies programs, and continued funding of the Minority Science Improvement and the Graduate Assistance in Areas of National Need programs.

Title III: Aid for Institutional Development
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Strengthening Institutions (Part A)	\$55.5	\$55.5	\$55.5
Strengthening Hispanic-serving Institutions	10.8	10.8	12.0
Strengthening Historically Black Colleges and Universities (Part B)	109.0	109.0	113.0
Strengthening Historically Black Graduate Institutions (Part B)	19.6	19.6	19.6
HBCU Endowment Grants (Part C)	<u>—</u>	<u>—</u>	<u>2.0</u>
Total	194.8	194.8	202.1

The 1998 request for Title III supports the Administration's commitment to high quality education for the Nation's disadvantaged and minority students. Almost 67 percent of the Title III funding—\$134.6 million, a \$6 million increase over 1997—would support operations, academic improvements, and endowments for Historically Black Colleges and Universities (HBCUs). These institutions have played an important role in providing postsecondary education for low-income and minority students. Another important group of institutions with high minority enrollments—the Hispanic-serving Institutions—would receive an 11-percent increase in support to \$12 million.

Other institutions with limited financial resources enrolling a high percentage of students receiving need-based aid would continue to be funded under Title III, Part A. This program helps improve the academic quality, institutional management, and fiscal stability of these institutions.

Fund for the Improvement of Postsecondary Education

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$15.0	\$18.0	\$18.0

The 1998 request for the Fund for the Improvement of Postsecondary Education (FIPSE) would provide continued support for innovative projects that enhance postsecondary education quality and cost effectiveness. The request would fund 206 new and continuing awards under the Comprehensive program, which would support projects in areas of postsecondary education access, retention and completion, workforce preparation, curricula reform, faculty development, and cost containment. The request also would support programs in areas of national need, including exchange programs with the European Community and the NAFTA countries, dissemination of FIPSE project results, and restructuring American higher education.

Minority Teacher Recruitment

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$2.2	\$2.2	\$3.7

The Minority Teacher Recruitment program makes grants to institutions to support programs to encourage minority students to enter the teaching profession. The 1998 request would provide a \$1.5 million, or 69 percent, increase for this program in recognition of the importance of promoting a more racially and ethnically diverse teaching profession. Approximately 3,000 pre-collegiate students would be served under the program's Partnership Grants, and about 250 college students would be assisted under the Teacher Placement Grants.

Nationally, the proportion of school-age, minority youngsters grew from 13 percent to over 30 percent over the past three decades. However, it is projected that by the year 2000, only 5 percent of the Nation's teachers will be minorities.

Minority Science Improvement

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$5.3	\$5.3	\$5.3

The Minority Science Improvement program provides financial assistance to improve science and engineering programs at postsecondary institutions with predominantly minority enrollments. It is designed to enhance the capacity of such institutions to develop and maintain quality science education programs, and to help increase the representation of minorities in science and engineering careers. The 1998 request would support over 1,500 students.

International Education and Foreign Language Studies

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$55.2	\$58.8	\$59.3

The request would provide continued support for International Education and Foreign Language Studies (IEFLS) Domestic and Overseas programs designed to strengthen the American education system in the area of foreign languages and international studies. These programs support comprehensive language and area study centers within the United States, research and curriculum development, and opportunities for American scholars to study abroad. IEFLS not only promotes general understanding of the peoples of other countries, but also serves important economic, diplomatic, defense, and other security interests of the United States. The budget would fund approximately 558 projects.

Institute for International Public Policy

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$0.9	\$1.0	\$1.0

The 1998 request for the Institute for International Public Policy would continue to support access to graduate education in international studies for minority and disadvantaged students, as well as to encourage underrepresented minorities to enter the Foreign Service of the United States and serve in private international voluntary organizations.

Urban Community Service

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$9.2	\$9.2	—

This program helps institutions of higher education serve as a resource for urban communities attempting to solve urban problems. The program is proposed for elimination to provide savings as part of the President's efforts to reinvent government. Efforts to solve the social and economic problems of urban areas are more appropriately addressed under other Department programs as well as programs and budgets of other Federal and State agencies.

Mary McLeod Bethune Memorial Fine Arts Center

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$3.7	\$1.4	—

No additional funds are requested for the Mary McLeod Bethune Memorial Fine Arts Center in 1998. Over the past several years, a total of \$15.3 million in Federal construction grants has been provided noncompetitively to Bethune-Cookman College for this project, initially authorized at \$6.2 million in 1986, with a second authorization of \$15.7 million in 1992. Additional construction financing is available through programs such as the HBCU Capital Financing program, as well as private sources.

Public Service Recognition Programs

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Edmund S. Muskie Foundation	—	\$3.0	—
Calvin Coolidge Memorial Foundation . . .	—	1.0	—
Claiborne Pell Institute for International Relations and Public Policy	—	3.0	—

These three programs were authorized by the Human Rights, Refugee, and Other Foreign Relations Provisions Act of 1996. Funding for the Muskie Foundation is to be used for awarding stewardships, supporting the Muskie archives, and supporting the Edmund S. Muskie Institute of Public Affairs. Support for the Coolidge Memorial Foundation is to be used to increase the Foundation's endowment and to conduct educational, archival or preservation activities. Funds for the Pell Institute are to assist in the establishment and operation of the Institute, located at Salve Regina University in Newport, Rhode Island, including the purchase and renovation of facilities to house the Institute.

No additional funds are requested for any of the three programs in 1998. The 1997 appropriation provided the full funding stipulated by the authorizing statutes for all three programs.

Federal TRIO Programs
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998</u> <u>Request</u>
Student Support Services	\$143.8	\$166.6	\$169.9
Upward Bound	190.6	198.4	202.0
Talent Search	78.2	81.5	94.8
Educational Opportunity Centers	24.7	25.8	29.0
McNair Postbaccalaureate Program	19.0	20.3	20.8
Staff Training	3.0	3.3	5.0
Evaluation	1.5	1.5	1.5
Administration/Peer Review	<u>2.2</u>	<u>2.5</u>	<u>2.0</u>
Total	463.0	500.0	525.0

The TRIO programs fund postsecondary education outreach and student support services that encourage individuals from disadvantaged backgrounds to enter and complete college. These services complement the Department's student financial aid programs by helping to ensure postsecondary education access for disadvantaged students and by providing them with the support they need to successfully complete postsecondary programs. Over 724,856 students will benefit from these programs under the 1998 request.

New awards will be made in both the Talent Search program and Educational Opportunity Centers, while continuation awards will be made in the remaining TRIO programs. Student Support Services, which has been shown to have a positive effect on grade point average and retention, would provide remediation and support services to an estimated 179,478 disadvantaged undergraduate students. Talent Search would identify and encourage an estimated 324,445 students from disadvantaged backgrounds to graduate from high school and enroll in college. Educational Opportunity Centers would provide assistance and information to an estimated 166,640 adults seeking to pursue a program of postsecondary education. Upward Bound, which has been shown to improve the academic preparation of participants while in high school, would provide intensive academic support services to an estimated 48,412 disadvantaged high school students to generate the skills and motivation

needed to pursue a program of education beyond high school. The McNair program would support academic and other activities to help prepare an estimated 2,481 disadvantaged undergraduates who want to pursue graduate or doctoral study.

Advanced Placement Fees

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	—	—	\$6.0

This newly funded authority would supplement State efforts to pay for the Advanced Placement test fees of low-income students. Subsidizing these fees would provide additional encouragement to such students to take Advanced Placement tests and obtain college credit for high school courses, thus reducing the time and cost required to complete a postsecondary degree. The program would complement the Department's student aid programs and help to improve both academic excellence and access in higher education. It also would encourage States and secondary schools to offer more advanced placement courses and to raise academic standards. The 1998 request would help pay test fees of more than 136,000 low-income students.

National Early Intervention Scholarships and Partnerships

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$3.1	\$3.6	—

The Department requests no funding for the National Early Intervention Scholarship and Partnership program. Although this program could help forge new Federal-State partnerships aimed at encouraging disadvantaged youth to pursue postsecondary education, it would require a much greater Federal investment to have a national impact.

Scholarships and Fellowships
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Byrd Honors Scholarships	\$29.1	\$29.1	\$39.3
Presidential Honors Scholarships	—	—	132.0
George Bush Fellowships	—	3.0	—
Javits Fellowships	5.9	5.9	—
Graduate Assistance in Areas of National Need	<u>27.3</u>	<u>24.1</u> ¹	<u>30.0</u> ²
Total	62.3	62.1	201.3

¹ \$6.3 million of the 1997 GAANN appropriation will be available for Harris Fellowship non-competing continuation awards.

² \$3.2 million of the 1998 GAANN appropriation would be available for Javits Fellowship non-competing continuation awards.

Byrd Honors Scholarships. The \$39.3 million request, an increase of \$10.2 million, would fund a new cohort of first-year students in 1998 and continue support for the 1995, 1996, and 1997 cohorts of students in their fourth, third, and second years of study, respectively. In addition, all awards would be raised to the \$1,500 authorized level, up from \$1,100 in 1997. Over 26,000 students would be served, including 6,500 new scholars.

Presidential Honors Scholarships. This new legislative initiative would motivate high academic achievement in every high school in the Nation—and among students from a wide range of backgrounds—by providing \$1,000 scholarships to the top 5 percent of graduating high school students for use in their first year of postsecondary study. An estimated 132,000 students would receive awards in 1998.

George Bush Fellowships. This program assists in the establishment of the George Bush Fellowship Program, located at the George Bush School of Government and Public Service of the Texas A & M University. No additional funds are requested for this program, which in 1997 received the full funding stipulated by the authorizing statute.

Javits Fellowships. Funding is not requested for new fellows under this categorical program. Continuing Javits fellows would be funded under the Graduate Assistance in Areas of National Need (GAANN) program, and the arts, humanities, and social sciences will be given full consideration under the designation of critical-need disciplines for new GAANN awards.

Graduate Assistance in Areas of National Need. The Department requests \$30 million for the GAANN program, which rewards excellence and encourages continued learning by supporting fellowships to outstanding students. Participating graduate schools must seek out students from underrepresented groups. Because the program supports study in the mathematics, science, and computer disciplines, it makes an important contribution toward national economic competitiveness. The 1998 request would support an estimated 1,600 GAANN fellows, while also funding 130 continuing Javits fellows.

Howard University
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Academic Program	\$151.7 ¹	—	—
Research	1.2 ¹	—	—
Howard University Hospital	29.5	\$29.5	29.5
Undistributed	<u>—</u>	<u>166.5</u>	<u>166.5</u>
 Total	 182.3	 196.0	 196.0

¹ Congress appropriated \$152.9 million for the Academic Program in 1996, but \$1.2 million of this amount was obligated for Research under the authority of the 1996 Continuing Resolutions.

The 1998 request would maintain support for Howard's academic operations, endowment, and the Hospital, while giving the University broad flexibility to allocate funds to best meet its needs. The request reflects the Administration's support for maintaining and improving the quality and financial strength of an institution that provides a major avenue of postsecondary access and opportunity for African Americans.

Academic Facilities
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Interest Subsidy Grants	\$16.7	\$15.7	\$13.7
College Housing and Academic Facilities Loans (Liquidating)	5.9	3.0	3.0
CHAFL Federal Administration	<u>0.7</u>	<u>0.7</u>	<u>1.1</u>
 Total	 23.3	 19.4	 17.8

The academic facilities programs were created to provide financial assistance to institutions of higher education for the construction, reconstruction, or renovation of academic facilities. The Administration believes the Federal Government should not bear responsibility for maintaining the physical plant of institutions of higher education. In general, responsibility for this type of fundamental institutional support lies with colleges and universities themselves, State and local governments, and private sector beneficiaries of higher education services. Funds are requested in 1998 solely to manage and service the existing portfolios of facilities loans and grants that were made in prior years.

Historically Black College and University Capital Financing Program
(BA in millions)

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
Federal Administration	\$0.2	\$0.1	\$0.1

The Historically Black College and University (HBCU) Capital Financing Program promotes diversity and equal opportunity in American higher education by providing a Federal guarantee for bond financing for the repair and construction of facilities at HBCUs. By statute, the total amount of loan principal guaranteed plus accrued unpaid interest may not exceed \$375 million. Of the \$375 million, no more than \$250 million is to be used for loans to public HBCUs and no more than \$125 million is to be used for loans to private HBCUs. Since the subsidy costs of the program are estimated to be zero, the 1998 request includes only \$104,000 to cover the Federal administrative costs of the program and to maintain the HBCU Capital Financing Advisory Board, which is appointed by the Secretary and advises the Secretary on the most effective means of implementing a construction financing program to address the needs of the Nation's HBCUs.

F. EDUCATIONAL RESEARCH AND IMPROVEMENT

Overview

The activities of the Office of Educational Research and Improvement, which build knowledge about education and help stimulate improvements in educational policy and practice, provide essential support for the improvement of American education. OERI-supported activities include the research and development programs of the five National Research Institutes; the applied research, development, and technical assistance activities of the 10 Regional Educational Laboratories; dissemination activities and the National Library of Education; and the statistics and assessment programs of the National Center for Education Statistics.

OERI also supports a number of direct grant programs designed to advance or demonstrate nationally significant strategies for improving teaching and learning, especially through the use of technology and professional development for teachers.

The budget request for OERI activities in 1998 is \$510.7 million, an increase of \$112.6 million over the 1997 appropriation. New investments in research and development would support field-initiated studies in the areas of early childhood education, curriculum and teaching, the achievement of elementary and secondary students, the education of at-risk children, education policy and finance, and postsecondary education and lifelong learning. OERI also would continue important new work, begun in 1997, related to improving teaching and student achievement in reading and mathematics.

Complementing the research program, the statistics and assessment programs would provide the kinds of education-related information that will be needed as States, districts, and schools continue reforms that change what students study, how they are taught, and how their performance is measured.

The direct grant programs in this account would serve the OERI mission of building knowledge and sharing successful strategies through support for demonstrations in various areas or aspects of education. Most notable is the investment in educational technology, including support for challenge grants that would engage a variety of partners in designing and demonstrating powerful examples of the effective use of technologies to improve curriculum, teaching, and student learning. A major new investment proposed for 1998 is support for after-school programs designed to enhance the education of young people through tutoring, mentoring, and drug abuse and violence prevention activities.

National Education Research Institutes

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$43.0	\$54.0	\$62.3

The 1998 request includes an \$8.3 million or 15 percent increase in funding to support the research and development activities of five national research institutes: the National

Institute on Student Achievement, Curriculum, and Assessment; the National Institute on the Education of At-Risk Students; the National Institute on Educational Governance, Finance, Policymaking, and Management; the National Institute on Early Childhood Development and Education; and the National Institute on Postsecondary Education, Libraries, and Lifelong Learning.

The institutes support university-based, national research and development centers to carry out sustained, long-term research and development to address important education problems; a field-initiated studies program in which the research topics and methods are determined by the investigators; and other research and development projects to address the national priorities identified by OERI and the National Educational Research Policy and Priorities Board. The 1998 increase would support 25 additional field-initiated studies so that approximately 100 studies would be underway across the Nation.

OERI-supported research has provided dramatic gains in knowledge about how children learn and about more effective methods for teaching them. For example, systematic inquiry in cognitive science, communications theory, and linguistics has provided insights into how children learn the basics of reading, which are being successfully applied in many State and local efforts to improve the teaching of reading. Similarly, research on the education of disadvantaged students has shown that students who fall behind in their studies should not be removed from the regular classroom and given low-level, remedial instruction, but instead should be provided with an enriched, high-quality program. Current and future OERI research will build upon these and other accomplishments to expand further our knowledge of what works in education.

Regional Educational Laboratories

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$51.0	\$51.0	\$53.5

The 1998 request includes a \$2.5 million or 4.9 percent increase to support an evaluation of the 10 regional educational laboratories. These laboratories help States, districts, and schools in their efforts to implement effective education reforms through applied research, development of materials and strategies, and training and technical assistance activities. To assist in carrying out its responsibilities, each regional laboratory is advised by a governing board of policymakers, including Chief State School Officers, researchers, and teachers who represent the concerns and interests across its region.

In addition to providing services to meet regional needs, each laboratory provides leadership, acts as an expert resource, and conducts basic and applied research, dissemination, and technical assistance in a designated specialty area. Specialty areas include: curriculum, learning, and instruction; assessment and accountability; educational technology; rural education; urban education; language and cultural diversity; early childhood education; and school change process.

National Dissemination Activities

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$13.0	\$18.6	\$18.8

For 1998, the request includes a small increase for national education dissemination activities. Funds would continue to support the Educational Resources Information Center (ERIC), which provides users with ready access to an extensive body of education-related literature and materials. In addition, funds would support the National Library of Education, which serves as the central location within the Federal Government for information about education, provides comprehensive reference services on matters related to education, and promotes a greater sharing of resources among libraries and archives with significant collections in the area of education.

Support would continue for the Department's award-winning INet and World Wide Web services, which provide thousands of parents, educators, and policymakers with quick and easy access to Department programs, publications, statistics, and related resources on the Internet. Funds would also support activities of the National Research Policy and Priorities Board, which will assist OERI in translating the new national education research priorities into research and development projects that will aid policymakers and practitioners in their education improvement efforts.

Statistics

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$46.2	\$50.0	\$66.3

The 1998 request includes a \$16.3 million or 33 percent increase to support the data collection, analysis, and reporting activities of the National Center for Education Statistics (NCES). NCES data are used by local, State, and Federal policymakers to gauge the effects of reforms and the return of investments in education, and to make decisions about educational policy and planning. In addition, NCES databases and publications are widely used by educators, researchers, and others interested in education.

The request includes funds for a program of statistics that has evolved over the past 10 years in response to legislation, evaluation, and particular data needs and in consultation with education researchers, data providers, and data users. The statistics programs provide general statistics about the condition of, and trends in, education. They also provide data to monitor reform and progress toward the National Education Goals and to support the

research agenda of OERI. NCES also is planning to meet the statistical needs of the future with new technologies, training, data development and analysis, and methodological studies that will make it an even more efficient organization and its data more useful for parents and teachers, administrators, and policymakers.

Increased funding in 1998 would support expanded data collection for the Early Childhood Longitudinal Study, including the addition of a birth cohort; a new longitudinal study of high school students; regular international assessments; and a new study of adult literacy. The request also would ensure a four-year cycle for the National Postsecondary Student Aid Survey, as well as the addition of school crime questions to the Department of Justice's National Crime Victimization Survey.

In addition, the request would provide infrastructure support for local school districts to update the Third International Mathematics and Science Study data for grades 4,8, and 12; and would fund the National Assessment of Educational Progress reading assessments.

Assessment

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$32.6	\$32.6	\$38.4

The 1998 request includes a \$5.8 million or 18 percent increase for the National Assessment of Educational Progress (NAEP). Data on student achievement are essential for providing the public with reliable information about the condition of American education, and NAEP is the only source of nationally representative data. NAEP is used widely to judge the overall effectiveness of national educational improvement efforts and is the primary source of information for assessing and reporting progress toward the National Education Goal of ensuring student competency over challenging subject matter.

In 1998, national assessments will be conducted in reading, writing, and civics at grades four, eight, and twelve, and State assessments will be conducted in reading at grades four and eight and writing at grade eight. In particular, the national reading assessment is expected to provide valuable trend data since it will be the fourth biennial assessment in this critical area since 1992.

Eisenhower Professional Development Federal Activities

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$18.0	\$13.3	\$30.0

The Eisenhower Professional Development Federal Activities program supports nationally significant activities that promote long-term improvement in professional development. The 1998 request includes a major increase to further the goals of the National Board for Professional Teaching Standards (NBPTS). The NBPTS administers a voluntary

assessment and certification process for teachers based on national standards of excellence. Teachers benefit from the opportunity provided by NBPTS to test and compare their skills against objective, peer-developed criteria for advanced practice, and many States and school districts provide monetary and employment rewards for certification.

Increased funding will speed the development of assessments in more than 30 specialty areas; only six areas of certification are currently available. The request would also provide support designed to enable more teachers to take the assessments, in order to help reach the target—set by the National Commission on Teaching and America's Future—of certifying 105,000 teachers by the year 2006.

Eisenhower Federal Activities funds will also be used to support the Mathematics and Science Education Clearinghouse, and for professional development activities based on the findings of the Third International Mathematics and Science Study.

Technology Innovation Challenge Grants

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$38.0	\$57.0	\$75.0

The Department requests an \$18 million or 32 percent increase to expand the Technology Innovation Challenge Grants, which support the development of high-quality uses of technology for schools through local partnerships among educators, business, and industry. Since the program's inception in 1995, the Department has made 43 5-year awards and anticipates making an additional 20 new awards in both 1997 and 1998. Each year the number and quality of applications from potential partnerships continue to grow, with almost 600 applications received in 1996. In addition, challenge grant consortium partners are matching Department funds with total commitments exceeding Federal dollars by a 3-1 margin.

These grants accelerate the local development and widespread use of innovative applications of technology that help improve student achievement. For example, a grant to Waukegan, Illinois, helped to establish the Technology and Learning Collaborative, which has created a community-wide math and science program that directly benefits 7,000 students. The much-needed demonstration of strategies and new uses of technology should result in models useful to communities across the country.

Regional Technology in Education Consortia

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$10.0	\$10.0	\$10.0

The Department requests level funding for Regional Technology in Education Consortia. This program supports six regional consortia which help States, districts, and schools

integrate technology with teaching and learning. Each consortium develops a regional program of professional development, technical assistance, and dissemination of information that addresses the particular needs of educators and learners in its service area. As more States and schools develop strategic plans and make substantial investments in technology, the consortia provide reliable information on long-term costs, compatibility among systems, hardware, and software, as well as on teacher needs and effective instructional uses of technology.

Star Schools

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$23.0	\$30.0	\$26.0

The 1998 request for Star Schools would continue support for demonstrations of the potential of technology to create powerful new learning opportunities and improve teaching and learning. Star Schools provides high-quality instruction to students in schools that could not otherwise provide it. Multistate providers of telecommunications services that have both technical and educational expertise provide instruction in academic subjects, various types of supplemental programming, and professional development for teachers.

Funds are requested in 1998 for continuation costs only. The new grants awarded in 1997 would be supported for the five-year period required by the authorizing statute, and then funding for the program would end. Distance learning strategies can also be pursued under the Technology Innovation Challenge Grants.

Ready to Learn Television

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$6.4	\$7.0	\$7.0

The request includes level funding to continue support for the development of educational programming centered on school readiness scheduled to begin airing in 1998. The four program series under development will help children attain the early literacy and other skills necessary for successful learning. The programming, aimed at preschoolers and their parents, is being carefully developed and tested, as are accompanying materials for parents and caregivers. Because of the potential of television to reach so many children, Federal support is warranted to stimulate the development of high quality programming that can help prepare children for school.

Telecommunications Demonstration Project for Mathematics

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$1.0	\$1.0	\$2.0

The budget includes a \$1 million increase to expand a demonstration project that provides practical assistance to teachers attempting to use the recommendations of the National Council of Teachers of Mathematics to improve their teaching. The findings of the Third International Mathematics and Science Study showed that U.S. teachers need assistance in developing instructional strategies that teach students challenging math content. The project delivers professional development through videos and on-line communications, allowing teachers opportunities to learn at times and locations they find convenient. The project can serve as a model for teachers of other subjects. Since 1995, the project has expanded services to include 35 States and the District of Columbia.

Fund for the Improvement of Education

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$37.6	\$40.0	\$40.0

The Department requests level funding for the Fund for the Improvement of Education (FIE). The Fund is an important source of support for developing models and testing innovations. In 1998, FIE will continue ongoing programs of support for the development of State assessments, the implementation of character education programs, the award of Christa McAuliffe Fellowships to excellent teachers, and a variety of studies and local demonstration programs aimed at improving teaching and learning. New activities would include support for the America Reads Challenge, efforts to follow up on findings from the Third International Mathematics and Science Study for improving curriculum and instruction in U.S. schools, and efforts to support improvements in teaching such as were recommended by the National Commission on Teaching and America's Future.

Javits Gifted and Talented Education

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$3.0	\$5.0	\$7.0

The request includes an increase of \$2 million to support the Javits Gifted and Talented Education program. Too often schools fail to challenge gifted and talented students, as well as other students, to do their best work. Increased investment in this program will help demonstrate effective strategies for including gifted and talented children in State and local efforts to raise standards for all children. Further, the experience and knowledge the Nation

gains in developing and implementing programs for gifted and talented students can and should be used as a basis for rich and challenging curricula for all students.

The increase in funding will support new grant awards, with priority placed on projects serving schools with high concentrations of low-income students and those students who may not be identified and served through traditional methods. Funds will also support continuation awards as well as the National Center for Research and Development in the Education of Gifted and Talented Children and Youth.

Eisenhower Regional Mathematics and Science Education Consortia

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$15.0	\$15.0	\$15.0

The Department requests level funding to continue support for the 10 regional consortia awards made in 1995. The consortia focus on disseminating exemplary mathematics and science instructional materials and providing training and technical assistance to classroom teachers, administrators, and other educators. The consortia will play an active role in using the findings of the Third International Mathematics and Science Study (TIMSS) to promote reforms in math and science education. Examples include disseminating TIMSS-related information, assisting schools in conducting TIMSS assessments, and encouraging the use of rigorous academic standards, such as those developed by the National Academy of Sciences and the National Council of Teachers of Mathematics. Each consortium must operate with the advice of a regional advisory board and coordinate its activities with the other consortia, the Eisenhower National Clearinghouse for Mathematics and Science Education, and other technical assistance providers.

After-School Learning Centers

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$0.8	\$1.0	\$50.0

This new initiative, funded under the existing 21st Century Community Learning Centers authority (ESEA Title X, Part I), would help rural and inner-city public schools stay open after school hours to serve as safe, neighborhood learning centers where students can do their homework and obtain tutoring and mentoring services. The 1998 request would support the development of hundreds of new after-school programs focusing on activities designed to improve student achievement and prevent juvenile violence and substance abuse.

National Writing Project

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$3.0	\$3.1	—

This program supports a grant to the National Writing Project, a nonprofit educational organization that offers training programs in the effective teaching of writing. No funds are requested for 1998 because the project has received Federal funds for many years and has been amply demonstrated as a strategy for improving the teaching of writing. The program already receives substantial funding from non-Federal sources, and should now be supported with State and local funds. In addition, SEAs and LEAs could use Eisenhower Professional Development funding for this purpose.

Civic Education

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$4.0	\$4.5	\$4.5

For 1998, the Department requests level funding for the Civic Education program, which fosters good citizenship and civic responsibility for significant numbers of students while helping them develop an in-depth understanding of the U.S. Constitution. In addition, the program supports activities that further the National Education Goals and promotes high standards for what students should know and be able to do in civics.

International Education Exchange

	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
BA in millions	\$5.0	\$5.0	\$5.0

This program helps support democracy and free market economies in Eastern Europe, the Commonwealth of Independent States, and other countries that formerly were part of the Soviet Union, by providing educators and other leaders from those countries curricula and teacher training programs in civics and economic education, as well as the opportunity to exchange ideas and experiences with teachers in the U.S. and other participating countries. The 1998 funds would support continuation of grants awarded to two independent non-profit organizations with significant expertise in civics education and economic education, respectively.

G. DEPARTMENTAL MANAGEMENT

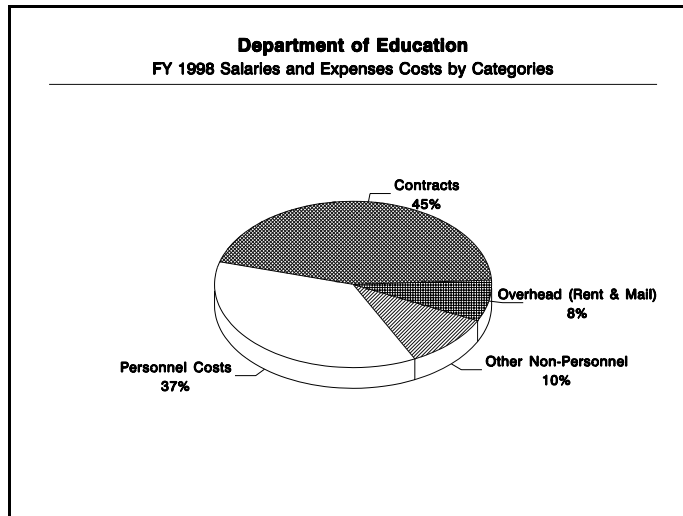
	<u>1996</u>	<u>1997</u>	<u>1998 Request</u>
<u>Discretionary Salaries and Expenses (S&E)</u> (BA in millions)			
Program Administration	\$326.7	\$326.2	\$341.0
Office for Civil Rights	55.3	54.9	61.5
Office of the Inspector General	29.0	29.9	32.0
Federal Family Education Loans	30.0	46.5	47.7
Other ¹	<u>15.8</u>	<u>9.0</u>	<u>9.4</u>
Total, Discretionary S&E.	456.8	466.5	491.6
<u>Permanent mandatory authority</u> (BA in millions)			
HEA Section 458	268.7	338.2	379.9
Payments for Services by Guaranty Agencies ²	<u>167.0</u>	<u>152.8</u>	<u>152.1</u>
Total, Permanent mandatory authority	435.7	491.0	532.0
Total Federal Administration (excluding Guaranty Agency Payments)	725.5	804.7	871.5
<u>Full-time equivalent employment (FTE)</u>			
Program Administration	2,731	2,628	2,573
Office for Civil Rights	744	724	724
Office of the Inspector General	305	317	317
Federal Family Education Loans	330	368	368
HEA Section 458	481	520	520
Other ¹	<u>64</u>	<u>56</u>	<u>58</u>
Total	4,655	4,613	4,560

¹ Includes Indian Education, small Federal credit accounts, Headquarters Renovation, and S&E activities in program accounts. Excludes \$3.3 million in 1996, \$3.1 million in 1997, and \$4.5 million in 1998 for National Institute for Literacy program grants.

² For fiscal years 1996 and 1997, these payments reflect .85 percent of consummated loan volume guaranteed by each agency, as specified in Congressional appropriations acts.

Overview

The Department's 1998 budget request for Salaries and Expenses (S&E) will pay the Federal costs of the staff, overhead, contracts, and other activities and items needed to administer and monitor some 200 educational assistance programs and continue to improve management and service to schools and students. The Department is requesting \$491.6 million for its discretionary S&E budget in 1998, an increase of \$25.1 million over the 1997 level, but still just 1.7 percent of the Department's total discretionary request. Mandatory Federal administrative costs—primarily associated with the postsecondary student loan programs—will increase by \$41.7 million. The increases are primarily for pay raises and benefits, technology improvements, and contracts—especially the data processing contracts required to provide nearly \$47 billion in grants and loans to over 8 million postsecondary students. The major cost categories in the budget are shown in the accompanying chart.



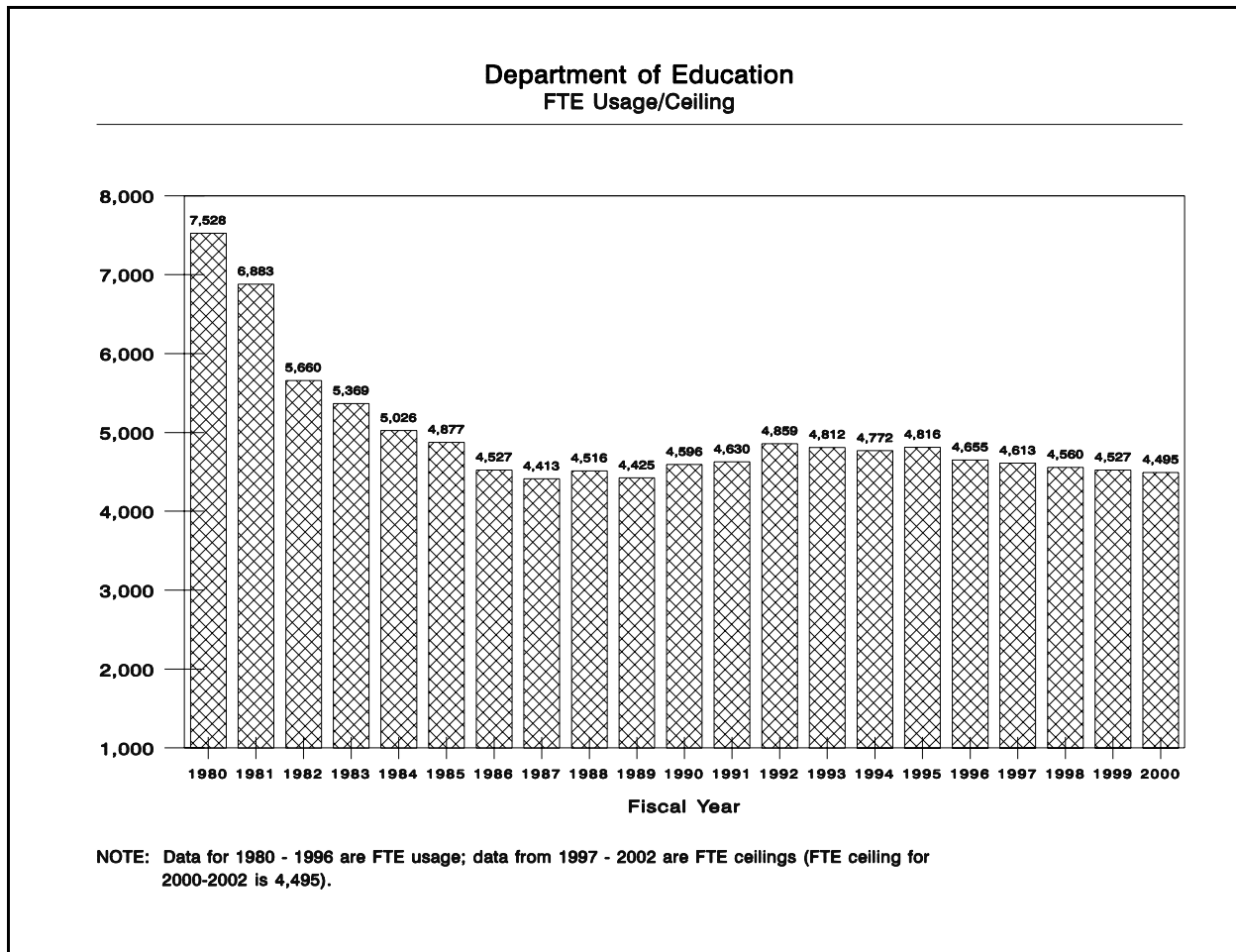
Over 40 percent of the Department's S&E budget is provided under a permanent mandatory appropriation that supports the operations of the student loan programs and other student financial aid management, with the largest single expense being the cost of the contractors that originate and service Direct Student Loans. In addition to paying for these contracts and the staff who manage the Direct Loan program, the permanent mandatory account supports all student aid programs through a variety of other contracts, such as the National Student Loan Data System, and payments for services to 36 non-Federal guaranty agencies operating in all States and territories. Both Direct Loan servicing costs and FFEL guaranty agency payments fluctuate with loan volume. Because student loan volume has grown—and is projected to continue to grow—significantly, loan-driven administrative costs will continue to increase.

Department Employment

Department employment has declined 6 percent since 1992. With a 1997 ceiling of 4,613 FTE, staffing levels are nearly 40 percent below the 1980 level of 7,528 FTE. The Department's reinvention and restructuring efforts, combined with technology and financial management systems improvements, attrition, and retirements, have resulted in a Department that works better, costs less, and operates efficiently with a decreasing staff level. Retirements have been especially important, with over 200 employees taking advantage of the "buyout" program in fiscal years 1996 and 1997. In addition, a decrease of another 20 staff will result from the transfer of Library Programs staff to the Institute of Museum and Library Services, as required by the Museum and Library Services Act. Under

the Department's streamlining plan, prepared in response to the President's commitment to reduce the Federal workforce, FTE will decline to 4,495 FTE by the year 2000. Of total Department staff, 68 percent work in headquarters offices, with the remaining 32 percent in regional offices.

The 1998 staffing request for the Department is 4,560 FTE, a decrease of 53 FTE from the 1997 ceiling of 4,613 FTE. Reallocations of FTE within the Department will maintain the staff levels needed to manage the student aid programs and other priority programs, including initiatives such as the Technology Literacy Challenge and the America Reads Challenge, while permitting the overall decrease in staffing. A history of Department employment since 1980 and planned staffing levels through the year 2000 are shown in the following table.



The Department has maintained operations in spite of low staffing levels in part by relying heavily on automation and private contractors to handle such functions as awarding grants, processing student aid applications, and providing grants and loans to some 8 million college students. This has helped the Department achieve the highest efficiency of any Federal agency in terms of program obligations per employee, with a ratio of \$6 million for

each FTE. Already the smallest of the 14 Cabinet agencies, the Department continually seeks ways to minimize administrative tasks and privatize routine functions that can be handled more efficiently by private contractors. A prime illustration is the use of contracts to operate the Direct Student Loan program. Finally, Congress has helped improve the balance between staff and workload by acting on many of the Administration's recommendations to eliminate categorical programs that are duplicative, have outlived their usefulness, or have a limited Federal role.

Program Administration

Administrative support for most programs and offices in the Department is provided by the Program Administration account. The 1998 request for this account is \$341 million, an increase of \$14.8 million over 1996, including \$186 million for staff pay and benefits and \$155 million for non-pay costs. Staffing paid for from this account would decrease from 2,628 FTE in 1997 to 2,573 FTE in 1998.

The \$186 million request for salaries and benefits, which is 55 percent of the total, reflects average employee pay raises of about 3 percent in January 1997 and another 2.8 percent included under OMB guidance for 1998, covering both national and locality pay raises. Other increases would provide for: (1) technology improvements to upgrade current information systems in order to communicate better with customers and prepare for Year 2000 conversion; (2) administrative support for programmatic initiatives including the Technology Literacy Challenge, America's Hope Scholarships, America Reads Challenge, and the School Construction Initiative; and (3) contract support for the "One Pubs" initiative, which will provide customers with a "one-stop-shopping" service for the Department's publications.

Student Financial Aid Management

The major focus of the Department's S&E budget continues to be improving management of student financial aid programs and continuing the successful implementation of Direct Loans. Excluding \$152 million in payments for services to FFEL guaranty agencies, student aid administration spending will total nearly \$516 million in 1998, almost 60 percent of the Department's total administrative budget. About 75 percent of this \$516 million reflects mandatory funding authorized under Section 458 of the Higher Education Act; the remaining funds are provided under the discretionary Program Administration and FFEL Administration accounts. The Department's request for funding under Section 458 is \$218 million below the current mandatory appropriation. Major activities supported with these funds include:

Direct Loans. Increased servicing costs for Direct Loans account for virtually the entire 1998 increase in student aid administrative spending. The Direct Student Loan program grew from 7 percent of total loan volume in academic year 1994-95 to 36 percent in 1996-97, and is expected to continue increasing over the next few years. In addition, large numbers of loans are now beginning to enter repayment, resulting in increased servicing costs as Department contractors begin distributing statements and coupon books, responding to requests for account information, and collecting and processing payments. As a result of these trends, costs for contracts to originate and service Direct Loans are expected to increase from \$136 million in 1997 to \$170 million in 1998.

Student Aid Delivery. The Department expects to provide over \$47 billion in grants and loans to over 8 million students in 1998. In awarding this aid, the Department expects to spend roughly \$82 million on contracts with a number of private firms to process paper and electronic applications, determine student eligibility, and maintain information management systems required to transfer data and funds between the Department and the more than 6,000 schools participating in the Federal student aid programs.

The Department is in the initial stages of a major effort to streamline and enhance the capacity of these student aid delivery and management systems. The multi-year Project EASI (Easy Access to Student Information) will ultimately create a student-based information tracking and data transfer system that will link the Department, schools, and other student aid program participants. Initial plans for the system are underway, with detailed design work scheduled for 1998 and actual development expected to begin in 1999.

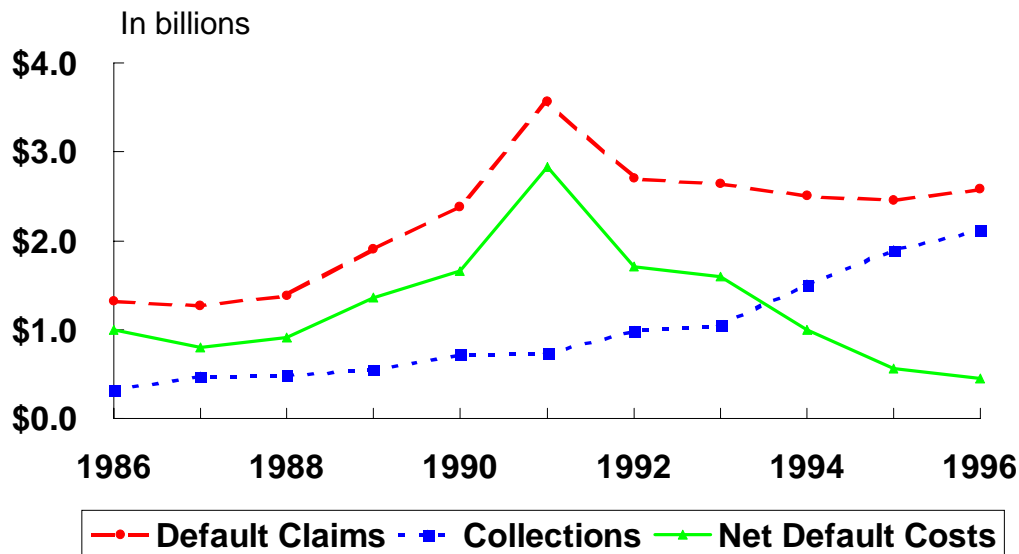
Ensuring Program Integrity. The Department dedicates almost 400 FTE to ensure that institutions participating in Federal student aid programs—including schools, accrediting associations, lenders, private service contractors, and guaranty agencies—meet statutory eligibility requirements and operate in accordance with all statutory and regulatory guidelines. These efforts, which involved over 2,000 institutional reviews in fiscal year 1996 alone, have resulted in more than 400 schools losing their eligibility to participate in the Federal student aid programs over the past two years.

National Student Loan Data System. The budget includes \$32 million in 1998 for the National Student Loan Data System (NSLDS), a national database that was developed in response to Higher Education Act requirements. The system is used to screen financial aid applications to prevent loans to applicants who have defaulted on their student loans or who have reached maximum award levels, and to compute institutional default rates. Through the end of fiscal year 1996, the system had already prevented at least \$582 million in grants and loans from being made to ineligible students.

Increasing Debt Collections. Collections on defaulted loans by the Federal Government and guaranty agencies more than doubled from \$1 billion in 1992 to \$2.2 billion in 1996, contributing to a steady decline in net default costs. Expenses for Department collection activities are paid in part through the Federal subsidy, and in part through direct Federal administrative funds. The direct cost for Department data system contracts supporting these collection activities is expected to increase from \$18 million in 1997 to \$21 million in 1998.

FFEL Default Costs & Collections

(By Fiscal Year)



Note: Net default costs equal default costs minus collections.

Improving Customer Service. The Department is also committed to increasing access to information on Federal student aid, both through printed materials such as the *Student Guide*—which is also available on the World Wide Web—and through enhanced capacity to respond to specific requests. Spending on the Department's contract to maintain a toll-free information line (1-800-4FED-AID) and to respond to written requests for information will increase from \$14 million in 1997 to \$15 million in 1998. This increase reflects both the growing volume of requests and improvements in the timeliness and accuracy of the Department's responses.

Other Management Improvements

The Department continues to build on its management improvement efforts to enhance its overall customer service; to provide greater flexibility for States, communities, and institutions; and to focus on internal improvements that help the Department work better and save taxpayer dollars. Burdensome process-oriented structures have been replaced with results-oriented initiatives aimed at making the Department a streamlined, high-performance organization. A major example of this is a redesigned grants process implemented at the

beginning of fiscal year 1997 which will continue the shift of resources to program areas and focus on successful project outcomes and customer service. The Department also eliminated nearly 40 percent of its regulations and reduced the paperwork burden for its customers by changing reporting requirements from an annual basis to every 2 or 3 years. Special areas of emphasis in the budget include:

Information Technology for Improved Dissemination and Customer Service. The Department continues to improve both its management and customer service by expanding and making repairs to its computer network; upgrading and replacing its computers to handle new technology; and expanding its Internet and on-line services to teachers, parents and researchers. Of the \$126 million for Department overhead services, \$25.2 million is for centralized ADP services—including \$19.7 million for operation of the Department's local area network and \$5.5 million for new initiatives. These new initiatives include (1) a data warehousing effort that would simplify the internal use of databases by providing access to data in a consistent manner from one location (data warehouse); (2) data conversion needed to comply with Year 2000 requirements; and (3) an enterprise modeling project to develop an architectural framework and uniform operating standards for all Department data systems to eliminate duplication in collection and storage of data. Another \$6.4 million is requested for ADP equipment in the 21 offices supported by the various administrative appropriations.

Financial Management. The Department's budget request will also fund continued enhancements in accounting and financial management to improve services to grant applicants and recipients as well as ensure accountability for the \$40 billion Department budget. These enhancements have accelerated the use of electronic funds transfer to provide funds to schools to make financial aid awards to students, while also giving grantees electronic access to the financial records and the ability to submit reports electronically. The budget also would provide \$4.3 million for final implementation of the Education Department Central Automated Processing System (EDCAPS), which consolidates a collection of separate financial management and information systems that GAO and the IG have found to be inadequate. This 5-year, \$31.4 million project will be phased in during 1997 and 1998.

Improved Customer Service for Department Publications. The Department has dramatically improved customer access to its programs and materials. The toll-free number, 1-800-USA-LEARN, provides information and accurate referrals to approximately 5,000 callers each week. The Department plans to expand its customer service to include access to well over 20,000 publications that provide a wealth of information for teachers, administrators, policymakers, researchers, parents, students, and others with a stake in education. The budget request includes \$3.1 million for the "One Pubs" contract, which will begin to centralize the Department's publications process, as called for by the National Performance Review, and provide customers with "one-stop-shopping" for Department publications.

Examples of the publications available include *Guide to the U.S. Department of Education Programs*, *Student Guide to Financial Aid*, *Teacher's Guide to the U.S. Department of Education*, NCES statistical compilations, *Strong Families*, *Strong Schools*, the *Helping Your Child* series, *The National Long-Range Technology Plan*, and the *Goals 2000 Progress Report* (Fall 1996).

Documents will be available by calling an 800 number as the initial point of contact or, for those with access to the Internet, through the Department's World Wide Web home page (<http://www.ed.gov>). The contract will incorporate the planning, printing, mailing, distribution, and storage of all Department publications beginning in 1998. Costs are anticipated to decrease over time due to elimination of duplicate contracts and mailing lists now in place.

Departmental Overhead Services

The budget includes \$126 million for the centralized support and administrative services for every program and staff office within the Department. These services include computer network operations and maintenance, interagency agreements and contracts for telecommunications, mail operations and delivery, rent, and postage. Nearly 45 percent of the total is for contractual agreements for services provided by other Federal agencies such as payroll and administrative payments processing, health unit and counseling services, regional support services, security investigations, training, building alterations and telecommunications services provided by the General Services Administration (GSA), and rental of space from GSA for Department staff. Because of its small size, the Department does not have staff to perform these services. Handling these arrangements on a centralized, contractual basis achieves savings in both dollars and staff resources.

Office for Civil Rights

The Department's Office for Civil Rights (OCR) investigates discrimination complaints, conducts compliance reviews, monitors corrective action plans, and provides technical assistance on civil rights issues. The 1998 request for OCR is \$61.5 million, an increase of \$6.6 million over the 1997 level. About \$48 million of the OCR budget is for staff pay and benefits for its 724 FTE; the remaining \$13.5 million covers overhead costs as well as computer equipment and services.

Almost 90 percent of OCR staff are assigned to 12 enforcement offices in four regional enforcement divisions. OCR plans to manage its increasing workload in 1998 by reliance on the redesigned complaint resolution process and Case Resolution Teams. OCR also will continue proactive enforcement activities such as partnerships with State and local education agencies, empowerment of parents and educators through clarification and guidance in key civil rights areas, and increased staff training on civil rights issues. Over half of the complaints filed with OCR allege discrimination on the basis of disability, but OCR addresses all educational equity issues.

Office of the Inspector General

The Office of the Inspector General (OIG) conducts audits and investigations of the Department's programs and activities to help ensure accountability for taxpayer-provided funds and to identify management improvements. The 1998 request for the OIG is \$32 million, an increase of \$2.1 million over 1997. Nearly \$25 million of the total OIG budget is for the pay and benefits of its 317 FTE; most of the remaining \$7 million covers overhead costs and travel. Nearly 80 percent of the budget increase is for built-in costs, including pay

adjustments and the operation and maintenance of the Local Area Network now operating in all regional offices.

Three-quarters of OIG staff are assigned to 8 regional, 5 field offices, and 5 flexiplace locations where they investigate allegations of fraud on the part of recipients of program funds and conduct audits of the Department's programs and operations. In 1998, OIG will direct a majority of its efforts to program and operations improvement, with a focus on Student Financial Assistance (SFA) programs, Elementary and Secondary Education Act programs, and the audit of the Department's financial statements. Most compliance activities will continue to focus on the Student Financial Assistance programs.